Challenge

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from the editor

a personal note

■ SHORTLY after the New Year, the President will send his Budget Message to Congress. Apparently the Eisenhower Administration, after much deliberation, has concluded that once again big government cannot be denied. The President himself, certainly no proponent for big spending, is insisting on an $82-billion budget for fiscal 1960-61.

Because the President is the titular head of a party that has consistently plugged against big spending, his proposal of a record budget may lead the public to infer that the battle for economy in government has been lost. It is hoped, however, that a discriminating public will be aware of the difference between necessary big spending and unreasoned, unlimited spending.

Public accountability and public review of policy is basic to the democratic process. It seems to this observer, however, that discussion of the pros and cons of government expenditures has been somewhat uninformed and outside the context of vital changes taking place on the American scene.

In the first place, governments at all levels–not just the federal government–have become big business during the postwar years. This is a much bigger country today than it was in 1945. The stresses of population growth are taxing the facilities of local, state and federal governments alike. We are bigger, so we need bigger governments.

In the second place, in view of the deplorable shortages in public service facilities that existed after the war–and still do exist in many areas –what alternative to government spending do we have? It seems that the $150 billion we spent in 1959 still did not build enough public schools, provide enough money for better teachers, bring police forces up to full staff, etc. Complaints that the cost of government has grown almost four times as fast as the entire economy between 1902 and the present will not help to do the things we ought to do.

In the third place, the inflation ascribed to these expenditures is not due so much to the expenditures themselves as to the effects of deficit financing, a practice of government condoned and encouraged by the public. A gross public debt of more than $370 billion measures the extent to which we have had our cake and tried to eat it, too. Perhaps we have not allocated our resources for the greatest possible good.

Finally, we should not forget that more than one-third of the money spent by governments at all levels goes for national defense and cold-war-heightened international relations. Take away this one-third, and I suppose we could live quite comfortably with the remainder. But take it away–and what governments will be left to worry about?

Neither disarmament nor any other international accommodations will change the need for big expenditures. What we save on arms we shall have to spend on competing with a system that believes in the total power of the state. The only workable response we have at present is big government held in check by constant public scrutiny.–H. B.

letters TO THE EDITOR

What's in a law?

• With reference to Peterson's earth-shaking "Law" [CHALLENGE, November, 1959], it would seem that Lorelei is not alone on the rocks.

By virtue of what abrogation of moral responsibility can the scientist excuse himself from proposing solutions to the problem he poses?

The newsboy on the corner, after all, could point out that this particular tub is overflowing–but he could not propose the solution. Therein, assumedly, lies the difference in abilities between the trained economist and anyone else. But, then, it is nice to find a bit of humor, however contrived, in the pages of CHALLENGE.

HELEN JONES

San Francisco, Calif.

• Peterson's "Law" is neither bold nor new, but Peterson certainly has a gift, rare among economists, for keeping his reader entertained–and reading. Peterson does not pretend to approve of inflation and he implies that something should be done about it, but he never proposes *his* solution. It is all very well to warn us "that the tub is overflowing." But is that enough? Most of us are under the impression that a scientist's research should yield new methods for "shutting off the tap water." If Peterson takes pride in his "scientific discovery" he might consider doing something more concrete with his law than just stating it; scientists usually do. But then, he may be living proof that social science is not a science.

SARAH WEINBERG

Kew Gardens, N.Y.

• More Americans should become aware of the importance of a sound money system in the U.S. and what it means to the rest of the "free" world. Peterson's "Law" presents the essence of monetary multiplication. If we in the U.S. would stop multiplying and dividing, and add our energies to understanding and eliminating the causes of inflation, we would subtract the adverse feeling here and abroad that the U.S. is at the monetary crossroads.

GEORGE E. CARDEN

Gardena, Calif.

Featherbedding–a larger problem

• Jules Backman ["The Economics of Waste," November, 1959] barely scratches the surface of the featherbedding problem. He has limited his

discussion to the practices of Labor.

How about management in some of our corporations with the small armies of vice presidents and administrative assistants? How about the "business administration" in Washington with all those deputy-assistant-under-secretaries and special Presidential assistants for all kinds of "affairs." How about the Red Cross and similar organizations which pay huge salaries to pseudo-executives who "administer" aid to the needy?

MELVIN SEEREY

Altoona, Pa.

Looking ahead

• Your November *Interview* with geochemist Harrison Brown was the most exciting I have ever read. Scientists are looking further ahead than I imagined–I would love to know how one goes about getting the energy equivalent to 50 tons of coal *from ordinary granite!* Obviously, this must be possible only in the laboratory, or the press would have made a point of mentioning it during Khrushchev's visit. I hope that CHALLENGE will find the opportunity to interview other outstanding scientists in future issues.

M. F. WAGNER

Coral Gables, Fla.

We intend to.–Ed.

Nostalgic

• Mr. Colean ["Home-building: How up-to-date?," November, 1959] must have had unusual luck as a modern homeowner. Granted, today's houses are better arranged than their predecessors, and there are many excellent new building materials. On the darker side are the thin walls, poor construction and the generally incomplete job that has become the trademark of modern builders. I appreciate modern conveniences, but I can't help being nostalgic about the more solid homes of prewar times when wall-to-wall carpets did not cover a quarter-inch gap between flooring and baseboard.

IRVING G. SWANSON

Santa Barbara, Calif.

Cranberry controversy

• The action of Arthur Flemming [Secretary of Health, Education and Welfare] in the cranberry controversy took a lot of courage–more courage, I think, than we have seen displayed by a government administrator in a long time.

A lesser man would have cowered in the face of the anticipated pressures being applied by special interests and the Senators and Congressmen from a few cranberry producing regions. The tests made on rats have been pooh-poohed as inconclusive. But, this fact remains: cranberries which were sprayed with a certain weed-killer have produced cancer in animal life–and humans, after all, are animals. The problem is not one of degree.

Mr. Flemming, as his title suggests, is responsible for the health and welfare of the public. In the case of the tainted cranberries, he is doing his job, and doing it well.

JAMES WARREN

Springfield, Ill.

Attention, pea-packers

• Open letter to the Canned Pea Council [*Challenge Notes*, November, 1959]: square peas, indeed!

BERT TRIMBLE

Newark, N.J.

Challenge Notes

The confidence trick of "mild" inflation; How much West European aid to underdeveloped nations?; pensions funds–neither public nor private

■ THE BRIEF breathing spell from inflation has been over for quite some time. During the last seven months, for example, the cost-of-living index, which is currently at an all-time high, rose six times. Barring a resumption of the steel strike, which is extremely unlikely, prices this year will almost certainly climb to new record highs.

Many experts believe that this is the inevitable price we pay for full employment and maximum economic growth. They maintain that if we can keep annual inflation moderate–say, two or three per cent a year–this price need not be excessive.

But can we do this? So far, we have been able to keep inflation moderate because, as surveys of consumer spending behavior by the Survey Research Center of the University of Michigan show, most people still act as if the dollar were not depreciating.

How much inflation must there be before the average man and woman begin to react to inflation and flee from fixed-money assets? If and when this ever happens, we shall be in for a really serious, runaway inflation.

This means that the only way we can derive the full advantages of "mild" inflation is to perpetuate the illusion that we still have a stable dollar. But it is doubtful that we shall be able to get away with this confidence trick forever.

Plea for help

The Administration's plea to Western European nations to assume a greater share of the cost of developing the poorer nations of the world is understandable. Our balance of payments deficit last year came to over $4 billion, and this was, in part, a direct consequence of our $3.9-billion foreign aid program.

But how much relief can we realistically expect? Even assuming

that the current level of free-world assistance to underdeveloped nations is adequate–and few experts believe it is–can Western European nations do much more than they are already doing?

In some cases, they probably can. West German private investment is already contributing materially to the development programs of countries like Egypt and India, and her manufactured exports are proving extremely competitive in Middle Eastern and Far Eastern markets. But the Bonn government has shown no willingness to become involved in public assistance projects. Even if it did, the high rates of taxation required to finance such programs would probably discourage *private* investment.

As for the other major Western European countries, England is already involved in a massive foreign aid program in conjunction with other Commonwealth countries under the Colombo Plan, while Algeria is absorbing French resources. If the American taxpayer wants U.S. foreign policy to be effective in underdeveloped countries, he will have to pay hard cash to make it so. He may even have to pay more.

Public or private?

A Twentieth Century Fund study by the Rev. Paul P. Harbrecht, S.J., reveals that pension funds in private industry currently total more than $39 billion. These funds have helped to make American capitalism a welfare society without making it a welfare state.

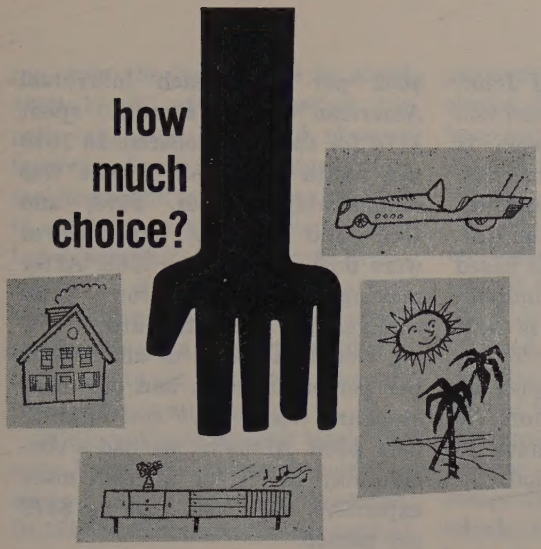
But, as Father Harbrecht points out, the existence of such funds has also contributed to a blurring of traditional distinctions between "public" and "private" property. For who actually owns such funds? In a sense, of course, the individual worker does; after working a certain period of time for his company, he has a claim for a specified sum of money. But, unlike a "real" equity such as stock, this title is not transferable and cannot be sold. Nor does the prospective beneficiary of a pension exert even a theoretical influence over management.

But if there are no owners, public or private, who are the managers of these vast sums of money responsible to? Considering that such funds play an increasingly important role in our capital markets, this is a problem that our new semiprivate capitalism will have to solve.

Picking up

Sign of business recovery? Hartford's incinerator superintendent says that rubbish collections in the Connecticut city are running 200 tons a week over a year ago.–M. K.

how much choice?



by Stanley C. Hollander

Many economists are beginning to wonder how much discretionary spending power we really have

■ PRACTICALLY every sales managers' meeting, marketing gathering and advertising convention during the postwar years has been cheered by the phenomenal rise in consumer *discretionary spending power*. Discretionary spending power is the marketing man's target–the money that consumers supposedly have at their disposal to save or to spend as they see fit.

This sum, which is ostensibly available for luxuries and for higher-priced necessities, has grown from $18 billion in 1940 to about $130 billion in 1957, according to one computation. Although part of this increase is the result of inflation, it has been sufficient to gladden the heart of anyone with goods to sell.

On the other hand, the average consumer struggling to stretch his weekly pay envelope to meet his bills must wonder what all the shouting is about. His pattern of expenditures seems largely predetermined, often at a point uncomfortably close to or above his income. There seems to be little room for any extras, or for real discretion.

How can we explain this difference in outlook? Is it simply because "people are never satisfied, no matter how much money they get," or are there more significant factors tending to limit consumer expenditure decisions? To answer this, we must first take a closer look at the concept of discretionary spending power.

Discretionary spending power is a measure developed by an adver-

tising economist, Dr. Arno Johnson of the J. Walter Thompson Co., as a more meaningful, even if somewhat vaguer, concept than disposable personal income. That figure, regularly reported by the U.S. Department of Commerce, is based on the total money income individuals receive, less taxes. It is then adjusted upward to account for the rental value of homes occupied by their owners. This, in short, is roughly what consumers have to spend during any given period.

Changing standards

The discretionary spending power concept assumes that at any one time an individual is extremely likely to want at least to preserve the standards of shelter, clothing and food that he has enjoyed in the immediate past. Consequently, Dr. Johnson argued that disposable income, minus the present cost of maintaining those standards, would roughly equal the amount available for new or additional consumer expenditures–i.e., discretionary spending power.

Since standards of food, clothing and shelter change over time, the magnitude of discretionary spending power clearly will be affected by the period selected as the base. This suggests one reason why consumers do not feel blessed with all of the discretion they supposedly possess. For example, in 1929 when per capita disposable income was $682 per year, each individual American (on the average) spent $174 for food and tobacco. In 1940 per capita disposable income was considerably smaller, $576, and food and tobacco expenditures were down slightly to $168. After making allowance for price changes, the 1929 standard of eating would have cost us about $300 per person in 1957, and our 1940 standard would have cost slightly over $400. Actually, we had a considerably better, or at least more expensive, diet that cost us $479 per person.

This change did not come in a single dramatic stroke, but was the net result of countless minor alterations in food patterns. The housewife who has fallen into the habit of using more easily prepared frozen foods, or who likes to serve a better cut of meat than she, or her mother, bought during the depression, doesn't feel that she is exercising her discretionary spending power. She simply knows that a goodly portion of her housekeeping money goes to provide the type of meals to which she has become accustomed.

Similarly, housing costs (rent and mortgage payments) have gradually increased to over $200 per person (1957), while mere maintenance of 1929 and 1940 standards would have cost only about $100-$125. Of the three basic items, food, shelter and cloth-

ing, only the last is still at about 1929 levels, after adjusting for price changes. New and cheaper fabrics, a trend toward more informal dress, and possibly less interest in clothing in general, kept clothing expenditures down to $176 per capita in 1957. Although we talk about durable and nondurable goods, many a man is ready to trade in his car long before he will replace his overcoat.

While national income totals are very large, the amounts going to many families are still quite small. In 1957, for example, 50 per cent of the spending units (i.e., families and individuals living alone) had total money incomes *before taxes* of less than $4,350; 30 per cent had less than $2,760; and 10 per cent had from zero to $1,140. Only about one per cent of all U.S. spending units received over $9,000 that year. Compared to the incomes of Chilean or Indian peasants, these figures represent a bountiful way of life. Compared to the American stereotype of the attractive suburban home and one or two shiny cars in the garage, however, they leave much to be desired.

Past decision

Present discretionary spending power is limited by past decision. Income that would be available for discretionary expenditures is committed both by past decisions on family formation and by specific payment obligations for past purchases. For example, according to a long secular trend, apparently only partially related to economic fluctuations, the portion of the population which is married has steadily increased. In 1940, about 60 per cent of the men and the women in the U.S. over the age of 14 were married. By 1958 the married portion had increased to about 70 per cent of the men and 67 per cent of the women. These figures are not a precise reflection, since the age composition of the population, which influences marital status, had changed in the meantime. Nevertheless, even after the effects of changes in the age distribution are discounted, marriage seems about 12 to 13 per cent more popular among contemporary Americans.

In this era of working wives, marriage may actually increase rather than decrease the income available for truly discretionary purchases. On the other hand, there is no question that further additions to the family tend both to limit the wife's capacity as an income producer and to provide strong demands upon available income. How long the postwar "baby boom" will continue is something population experts regularly debate. Bureau of the Census population projections for even a year as close as 1980 range from about 230 to about 275 million, depending

upon varying assumptions as to the continuance of current birth rates. But it is apparent that one of our great potential national assets should be the discretionary spending power vested in an increased population with its constantly rising educational level. In the meantime, food, medical, clothing and school bills for the current generation limit the family's discretionary spending.

Housing decisions, which are somewhat related to family formation decisions, also limit spending discretion at any one moment. A *Life* magazine study of consumer expenditures for 1955-56 found that about one-fifth of all spending went into home operation and improvement. Most of this, about 15 per cent of *total* expenditures, went for rent, mortgage payments, property taxes, and heating and utility bills, all costs that are pretty well predetermined by one decision to rent or buy a house. This does not, however, indicate all of the restraints that housing decisions impose upon spending discretion. Repair and maintenance costs, some of the expenditures for furnishings and appliances, travel and commutation costs and, consequently, a major share of automobile costs, will be predetermined with the decision to purchase the colonial split-level at 1414 Elm Street, Suburbia.

So far we have talked as if income set the limits for personal expenditures. Usually this is true for the nation as a whole. Only during the depths of the Great Depression did consumers, as a group, dissave (i.e., spend more than they received), using up assets and increasing future debt. But as we all know, many individual consumers reconcile differences between their desires and their income either by drawing upon accumulated savings or, more commonly, substituting commitments of future income for present payment. Consumer credit thus has two contradictory effects upon discretionary spending power. At any one moment it increases the individual's ability to turn desires into actual purchases. Having been used, it tends to remove future income from individual discretion.

Proper perspective

The consumer's propensity to enlarge his ability to purchase goods and services through credit buying resulted in an increase in installment debt from $2.5 billion in 1945 to $34.1 billion in 1957. The 1957-58 recession with its sharp curtailment in automobile purchases brought about the first postwar reduction in installment obligations outstanding. Automobile debt alone dropped $1.3 billion in 1958, more than enough to offset the increase in other forms of long-term consumer credit. Many causes have been cited for 1958's recession and

poor automotive year; it is conceivable that the burden of automotive debt outstanding was itself a factor.

Installment credit should be viewed in proper perspective; we are not obligating ourselves into bankruptcy. The postwar increase in personal savings has greatly exceeded the rise in installment credit, and most installment buyers have been fairly conservative in their commitments. Consequently, one might ask if installment debt could be a burden upon discretionary spending power when people have been able to save more than they owe? In a sense, this is another way of asking whether every dollar saved is not a dollar of discretionary spending power that was not adequately attracted by available goods and services.

Actually, consumer savings programs, in many cases, seem to be a combination of contractual obligations, e.g., pension contributions and accumulation of life insurance reserves, and fixed programs of thrift. Except in abnormal years, such as war or depression, consumers save about six per cent of their disposable income [F. Thomas Juster, "The Conservative Consumer," CHALLENGE, April, 1959].

In spite of all these limitations, the modern American consumer is able to pick and choose from a wider selection of goods and services than has ever been available in history. Forthcoming scientific wonders and predictable increases in productivity seem to assure him of even greater spending power and even greater opportunities for discretionary buying. Some marketing analysts, however, are now beginning to worry about the ultimate physical limit upon consumption–the fact that no matter how avidly one wants to use up goods and services, there are only 24 hours to the day. A decision to go hunting means foregoing the use of the home workshop. A ticket to the theater interferes with reading or bowling. Perhaps the final test of our discretion will be not how we use our money, but how we use our time. ■

Faster Tax Take

IN 1913, when the federal income tax law went into effect, the federal government collected approximately $35 million in personal income and company profits taxes. This brought the "take" to about $67 per minute. Today, with estimated federal income tax collections of $68.4 billion, the income and profits tax "take" is about $130,000 per minute. *Total* federal tax receipts today represent a $145,358 per minute rate. Estimates for 1960 indicate that total federal tax receipts per minute will be about $170,852.

ORGANIZED LABOR

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A DIMINISHING FORCE?

At a time of great public concern over union power, that power is actually declining

by Neil W. Chamberlain

■ THE TAFT-HARTLEY and Landrum-Griffin Acts were passed in 1947 and 1959 respectively on the ground that the power of organized labor had grown so great that it lent itself to abuses which required correction. Yet, in spite of this concern with union power abuses, a case could be made for the proposition that the power of American labor unions is on the wane.

For one thing, the labor movement has ceased to grow. In relative terms, it has even slipped a little. From 1933 to the end of the war years, there was a tremendous expansion of membership, mushrooming from a struggling three million to an assertive 15 million. In the next 15 years, perhaps another 3.5 million were added, but the *rate* of increase has slowed to a virtual halt. In proportion to the nonagricultural labor force, unions have indeed lost a percentage point or two over the last decade.

The reasons for this poor showing are several. In the New Deal era of labor aggressiveness most of the large corporations were organized. Thousands and even hundreds of thousands of workers were brought under the union banner in the successful organizing drives carried on in autos, steel, rubber and electrical appliances. Now that these concentrations of workers have largely been unionized, the enrollment of new members must proceed in smaller units. It is more costly and time-consuming to send union representatives to dozens of small plants than to one good-sized plant. The result is that while 90 per cent of the manufac-

turing establishments having more than 2,500 workers are covered by collective agreements, only 55 per cent of those with 100 employees or fewer can be found in the unionized camp.

Similarly, the geographical areas most susceptible to unionization–the Northeast, the industrialized Midwest and Far West–are already heavily organized. It will take protracted and more arduous campaigning, however, to extend membership into the nonunion strongholds of the South. Thus, even if one considers only the large- and medium-sized manufacturing establishments, which are more responsive to union organizing drives, some 90 per cent of these are under collective agreement in centers like New York and Newark, Detroit and Milwaukee, San Francisco and Portland, but only about 60 per cent in cities like Atlanta and Dallas.

And again, even in the large Northern plants, it is the men who are quickest to take out union membership. Although women constitute 28 per cent of the labor force, only 18 per cent of them are enrolled in labor organizations. The difficult job of persuading women workers to sign up largely remains to be done.

Perhaps most important, the unions have had their greatest successes in manufacturing industries and among manual workers. Half of all workers in manufacturing have been organized. But among clerical workers, technicians and other white-collar groups little progress has been made. In the service industries, for example, no more than one worker out of 10 carries a union card.

Of course, union organization has seldom been easy, anywhere and at any time. But today unions have reached a point where further gains require proportionately greater efforts than in the recent past. To organize thousands of scattered small plants, to organize the South, to organize women, to organize white-collar and service groups will take some doing.

It is by no means clear that unions today have the heart for so big a task. While some, like the Textile and Ladies Garment Workers unions, have fought bravely, if ineffectively, to penetrate the South and to extend their coverage to small nonunion competitor plants, unions, in general, have shown a resurgence of pre-New Deal complacency–making advances when this is possible without strain, preserving past gains, fighting back when attacked.

To some extent, the challenge is less compelling. When industrial giants like International Harvester and U.S. Steel were the target, the foe was worthy of one's best, and labor martyrs did not shrink from their destiny. A tradition and a his-

tory were built up in the titanic struggle, giving it point and poignancy. Homestead and Haymarket were episodes in a mighty drama. But no similar majesty attaches itself to the business of making union members out of women and clerks and small pockets of isolated workers.

And the economic tides are running against unions. More women are entering the labor force today than ever before. While manual workers have increased by 75 per cent in the last 50 years, white-collar workers have grown by 200 per cent. Three years ago, the U.S. passed a kind of great divide when in absolute numbers there were more workers in supervisory, technical, clerical and service occupations than in primary production work. The unions are thus facing an uphill fight.

Massive 'breakthrough'

Daniel Bell, Professor of Sociology at Columbia University, has phrased the union dilemma succinctly. He has said that union organization in this country has proceeded by *eruption* (a massive "breakthrough," as in the Thirties), *extension* (the mopping-up operations), and *enforcement* (compulsory acceptance of membership by employees under union shop agreements). But, he argues, because of the inability of unions to adjust and appeal to white-collar attitudes, and because of managements' own improvement of personnel practices, further eruptions cannot be anticipated. Extensions from now on will be difficult and unrewarding. Enforcement will run into resistance based on public opinion and aided by federal legislation giving primacy to state right-to-work laws where these can be passed. Prof. Bell concludes that "the tide of unionism has reached a high-water mark."

Whether or not this prediction proves valid for the long run, it is certainly accurate for the near future. All the brave words uttered by union officials at the merging ceremony of AFL and CIO about mammoth organizing drives and new forward momentum have become ashes in their mouths. In talking to its leaders one can sense the defensiveness which has settled upon a movement which only four years ago was being labeled by employer spokesmen as the biggest monopoly in the United States, capable of dictating the country's economic and political future.

There are some who attribute this evident decline in status and influence to public reaction to the McClellan Committee's revelations. While this unquestionably was a factor, the difficulties run much deeper. Within the "new" labor movement, a number of the constituent unions seem to be experiencing not maturity but old age.

Some give the impression that they exist largely to preserve their existence. Important objectives are relegated to resolutions passed perfunctorily, if regularly, at each union convention, as though the litany of words is an adequate substitute for action.

The labor movement in the U.S. is in the process of a decline which is primarily attributable to the poverty of its philosophy. At the very time when the world is moving into an era of unparalleled social and economic challenge and opportunity, the labor movement is clinging to 19th-century notions of preserving past practice as a guarantee of survival in a world of scarcity. At a time when industry and occupational lines are breaking down all around us, the unions have so far failed to come up with any better solution to their rivalries than arbitral determination of which of their contending number shall have the privilege of enrolling the few additional members any of them are able to organize.

Era of change

In an era when technological and organizational changes are modifying job content and skill relevance throughout the economy, the unions maintain an insistence that traditional work groups perform unnecessary or partial tasks.

Let me say right here that my criticism of the unions is not based on their having sought advantages for themselves and for their members. They are quite right in pointing out that others in our society, notably businessmen, fight no less hard and in no more socially justifiable ways to preserve special advantage. My criticism is of their failure to substitute, *in their own interest,* a new philosophy of larger opportunities for the outdated philosophy of conserving old rights.

One can appreciate the reasons why featherbedding, restrictive practices and make-work rules crept in in the first place–the underlying understandable desire to insure personal security. One can even appreciate why jurisdiction has been considered vital, to preserve an adequate base from which a union can drive for gains for its members–the underlying understandable desire for organizational security. But without being unfriendly to the unions, one can also point out that such practices are no longer solutions to the problems of economic and organizational security, and are, in fact, certain to elicit at least equally justifiable criticism from other members of society and to obstruct the achievement of the kind of society which the unions profess to seek.

What the unions have failed to demonstrate is an ability to cope with major economic and social problems in an imaginative man-

ner. A glaring example is their approach to the problem of unemployment. Their answer to the dislocations attending economic fluctuation, technological change and automation is the time-honored demand for a reduction in hours, although there is evidence in the record that their members would now prefer income to more leisure and although there are–as set forth in the resolutions faithfully adopted at every convention held by any union–vast unmet needs in the fields of housing, health, education and support of underdeveloped areas

If one were to single out the most telling "personality" weakness of the unions, it would be their passion for respectability. The goal most ardently sought by union leaders generally–the rising young crop as well as the elder statesmen–is to be accepted by their communities as good middle-class citizens. In view of the charges of unsavory activity by some union leaders developed by the McClellan Committee, it may seem strange that a desire for respectability and community acceptance should be singled out for criticism. The explanation is simple.

Respectability of one's personal conduct is an objective which most of us seek and which we would defend as a goal to be pursued–by union leaders no less than by business or governmental leaders. But respectability of one's ideas is another thing. To achieve that generally requires conformance to the status quo: the rebel is not respectable.

The historic function of unionism is as a reform agency within society–not necessarily as a social movement but as a modifier of existing institutional arrangements. Its great leaders have almost of necessity been lonely and isolated men. Social acceptance is something denied leaders of the labor movement, if they perform the role for which they have been cast.

Among today's crop of labor leaders, few rebels or reformers remain. The finger is generally pointed at one man, Walter Reuther, but he has been a lonely man even among his fellow–or rival–union leaders. The latter have more and more taken on the look of organization men in an age which accepts and honors that type. In the process, society has been the loser, as one of the few agencies which should be pricking it and prodding it becomes, instead, tractable, and the organizations which should be socially unruly become, instead, domesticated.

Complex dilemma

In part, this domestication of the unions stems from their failure to solve what is admittedly a complex dilemma. Significant economic and

social change, if it is to be induced, must come increasingly through political action rather than by negotiation at plant or even industry level. But how can the unions become a potent political influence while avoiding the pitfalls of a third-party activity?

The problem is made the more difficult by the mixture of liberals and conservatives within both the present major parties. But the solution has not been made any easier, either, by the unions' failure to articulate and persist in a well-focused political program. They have indulged in numerous wordy resolutions on housing, education, health and international affairs without managing to formulate an appealing general philosophy behind which workers and politicians alike could marshall their strength. If this problem of effective political action cannot be solved, then unions are bound to recede in social importance, becoming appendages–admittedly very useful appendages–to the management and organization of our manufacturing, construction and transportation establishments.

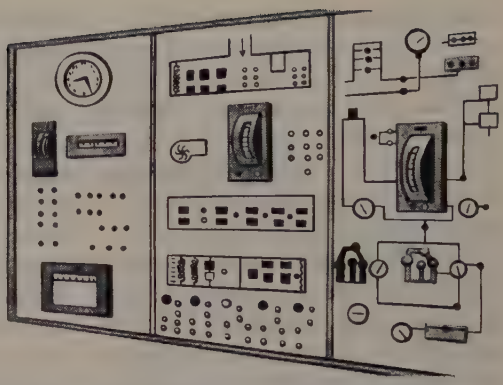
What I am suggesting is that the labor movement's position and power in our society may be dwindling because it has shown itself incapable of appealing to classes of workers who are becoming numerically more important; because it has lacked imagination in seizing opportunities inherent in changed economic circumstances (but has sought to conserve former advantage); because it has contented itself with a slightly modified status quo, although its functional role should be advocacy of change and reform; and because it has failed to develop a sustained political program.

This does not mean that the labor movement will overnight decline into innocuous desuetude. It does mean that unless the above weaknesses are corrected, organized labor will lose in status and significance. Its constituent unions might still continue to perform the very useful role of representing its members' interests before individual managements, but the labor movement as a whole would become largely incapable of influencing the social currents of our times.

The Landrum-Griffin Act, and the Taft-Hartley Act before it, sought to curb excesses of union power. The real limitations on union power, however, lie within the unions themselves. ■

Most Profitable Year for Bank Robbers

DURING THE last fiscal year, bank robbers set a new record for their "trade" by robbing a total of 764 banks and savings and loan associations.



DISPLACED WORKERS

Cushioning programs require labor-management coordination when productivity gains hurt employment

by Thomas Brooks

■ NOT SO LONG AGO, the City of New York began testing a $10,500 vacuum street cleaner which inhales cigarette butts, paper and other light litter normally scooped up by human street cleaners. "Frankly, the men with brooms are getting too costly," Richard Fenton, Director of Operations for the Sanitation Department commented in announcing the introduction of automated street cleaning.

Mr. Fenton's dilemma is shared by a great many in management. It illustrates the kind of frustration that lends heat to the cry of "featherbedding." Both sides of the collective bargaining table have taken up the challenge and the air is full of mutual recriminations. This, of course, is a substitute for serious thinking about one of our major economic problems–what to do about workers displaced by changing technology or automation.

We are now witnessing a critical turning point in our economic history comparable to that marked by the Great Depression. There are many signs of the underlying crisis:

•The steel strike clearly points up the fact that the steel industry can in nine or 10 months produce all the steel the nation needs in a year. What's more, a one per cent increase in the steel labor force

now produces 50 per cent more steel than was produced in 1947.

•Figures from the Interstate Commerce Commission show that rail traffic in 1957 was 75 per cent higher than in 1921, while in the same period, rail employment and man-hours were cut almost in half. By September, 1959, rail employment was down to its 1890 level of less than 800,000 workers.

•Within the economy as a whole, there is a broad shift from manufacturing employment to the service industries. The number of manufacturing employees has remained roughly the same for the past decade despite an expanding work force, while the number of those employed in the service industries has expanded rapidly.

A Bureau of Labor Statistics report notes that even in a good year such as 1956, a disproportionate number of the unemployed were in the goods-producing industries, and the average duration of unemployment was longer. The same BLS report also found that in the goods-producing industries, rates of unemployment rose from 4.1 per cent to five per cent between 1948 and 1956, while they dropped from 3.4 per cent to 3.1 per cent in the service industries.

It seems apparent that the dislocations of the past decade are beginning to catch up with us. Although business is booming, unemployment remains at higher levels than in the recent past and pockets of unemployment–the depressed areas of once-flourishing industries–linger on as festering sores in the body economic.

Our economy in many ways is remarkably pliant and adaptable. Instead of laying off people when new machinery or technique creates a labor surplus, many firms simply let attrition take its toll. This is, perhaps, the method preferred by trade unions to cope with the problem. George M. Harrison, president of the Railway Clerks and an AFL-CIO vice president, puts it this way: "In order to cushion the impact of the change from the old to the new machine method, it is our position that reductions in force should be only those brought about by natural attrition–resignations, retirements and the like."

But reliance on attrition is really a "do nothing" policy, postponing the day of reckoning when management finally says it cannot afford to wait. This brings up the question of what management and the unions can do to solve this problem so that automation can proceed without creating unemployment.

Steel management, in a sense, tried to place the issue off limits. One of the reasons for the industry's anger at the Kaiser Steel Corporation's signing a separate agreement in October was Kaiser's recognition that automation was

an issue and that management could not have its way, unilaterally, on the work practices issue.

The Kaiser settlement provided for the creation of two special committees. One is a joint labor-management committee to study the problem of automation and working practices and to "settle problems in these areas by mutual agreement." The second committee is set up "to develop a long-range plan for the equitable sharing of economic progress."

Forced off stage

Whatever happens to the Kaiser and United Steelworkers effort to solve the problems of automation, the steel strike illustrated that the issue cannot be placed off limits. Work practices, which turn on the number of men needed for a given steel operation, forced the issue of inflation off stage and soon became central to steel bargaining–almost against the wishes of both parties.

Interestingly enough, there is little official disposition among the unions to save jobs by out-and-out featherbedding. There is no question that featherbedding exists and that unions want to protect the jobs of their members. But there aren't many union contract clauses comparable to the one in an International Ladies Garment Workers Union agreement which says "no Hoffman or similar pressing machine shall be installed or used in any factory where less than six handpressers are working and unless the pressers are fully supplied with work." The printers have their "bogus" work–the setting up of advertisements already done elsewhere–and rail unions restrict the variety of jobs which can be done by one man.

But, officially, most unions welcome automation. The West Coast longshoremen, more in keeping with modern times than the garment or printing unions, have agreed not to stand in the way of new machines and techniques for reducing man-hours spent loading and unloading cargo. The International Longshoremen's & Warehousemen's Union, of course, exacted a price for its cooperation in introducing mechanization along the Pacific Coast.

Best possible deal

The employers' Pacific Maritime Assn., in return, set up a $1.5-million mechanization fund "to guarantee the fully registered work force a share in the savings effected by labor-saving machinery, changed methods of operation, or changes in working rules. . .resulting in reduced manpower. . ." The employers also agreed "to maintain the 1958 fully registered work force, with allowance for normal attrition."

The unions, after all, must continue to represent the men on the

job and get the best possible deal for them. And, this may be the only way it can be done since collective bargaining does have some limits.

But, as other union-management agreements have shown, the collective bargaining agreement can also provide a measure of cushioning for displaced workers, either by severance pay or supplementary unemployment benefits. The AFL-CIO reports that approximately 25 per cent of all current contracts–covering some 35 per cent of all workers under union agreements–now contain some severance pay provisions. A 1944 Department of Labor study found such provisions in only five per cent of all agreements.

Management and labor, as the Kaiser steel settlement illustrates, have attempted more. A forerunner of possible future labor-management endeavor in padding the impact of automation may be the "automation fund" set up by Armour & Co. and the two unions with which it deals–the United Packinghouse Workers and the Amalgamated Meat Cutters & Butcher Workmen.

The two-year fund will be financed by the company at the rate of a penny for every hundredweight of meat products shipped. This fund, which has a $500,000 limit, is to be used to "cushion whatever unemployment may arise through the introduction of automation" in meat-packing. The money will be used to finance a nine-man committee (four from the unions, four from management and an impartial chairman) to study problems arising from the modernization program launched by the company; to develop solutions, possibly through retraining employees or relocating them in plants where job opportunities are increasing; and to consider "any other methods that might be employed to promote continued employment opportunities for those affected."

'Protect its own'

We may see other "automation funds" comparable to the Armour fund in the near future. We will, no doubt, also see a good deal more company financing of the movement of workers from an area of labor surplus to new and expanding plants. When, say, Chrysler shuts down an operation in Evansville, Ind., and opens a new plant in St. Louis, it is natural that the corporation–in an effort "to protect its own"–should arrange for the transfer of some of its skilled work force. The same would be true for any other large, nationwide corporation. Giant firms already do this for white-collar employees and executives and there is no reason why the same cannot be done for skilled men.

Beyond this, labor and management may find it difficult to go. The crisis caused by technological advance is not one the union-management relationship is geared to solving. Both certainly can help mitigate the travails of those directly affected. But the help offered may be limited by the bounds of the corporation or industry.

When the auto industry declines and, say, the helicopter industry expands, who then arranges the transfer and the retraining? Or, to put it in broader terms, as manufacturing declines and the need for doctors or nurses grows, how do we accomplish the transfer of necessary workers? Our real problem is the latter task.

Exaggerated case

Harlan County provides an illustration. Here, where deep valleys and quick-running rivers thread the Black Mountains, the coal seams are rich but too thin for mechanization. Over 60 per cent of the county's mine labor force is out of work; one-quarter of the population exists on government handouts of corn meal, rice, flour and dried milk. These are not shiftless people. They are skilled men driven to the edge of starvation because their trade is no longer in demand.

Men have moved from the valleys of Harlan in search of jobs. But, finding none, they return home where the rent, at least, is cheaper. Many are too old to learn new trades. And, finally, perhaps the most ignominious blow of all, the new industry (primarily garment trades) trickling into the county doesn't want them, but does want their womanfolk.

This is an exaggerated case of what might happen as basic industry automates. Assuredly, some of the solutions union and management have worked out in embryo form over the last couple of years will help immeasurably to avoid any nationwide crisis like the one now afflicting Harlan and a number of other "dying" communities. The expanding manpower needs of other sectors of the economy will absorb the new workers, the young who pick up new skills with ease. But for many others the immediate near future may be an agonizing period, indeed.

Here is where the labor-management agreement leaves off and where public policy must step in. For places like Harlan, only government relief is now available. And, it is certainly bad public policy to confine that relief to handouts.

One final note: the present "crisis" will probably leave one lasting mark. As the industrial work force shrinks, the right of the individual to a specific job will grow stronger–both legally and in terms of the protection afforded by his union. ■

THREE-WAY TEAMWORK

Government, military and civilian financing builds a spectacular site for the Winter Olympics at Squaw Valley, Calif. next month

by Mark T. Colby

■ THE STATELY PLEASURE dome created in Squaw Valley for the 1960 Olympic Winter Games is testimony to the ingenuity not only of modern architecture but of modern finance as well.

Set high in California's magnificent Sierra Nevada range, the newly completed Olympic Village can house, feed and entertain the 1,000 participating athletes, while the games area can provide eating, viewing and recreational facilities for the estimated 400,000 spectators expected to witness the Squaw Valley Olympics between February 18 and 28.

The architectural highlight of the area is the Olympic Arena, an open-end building of contemporary design seating 9,000 spectators. The open end of the building faces the speed skating rink and, immediately beyond it, the Olympic Flame, where traditional opening ceremonies will be held. Two other glass-walled centers will protect spectators from the cold, while hunger pains can be assuaged at either of the two main restaurants in the games area, or at any of several portable food-vending stands on skis.

Other facilities in the games area include a press building, a shopping center, a reception center, two hockey rinks, a number of slalom courses and ski jumps, an administration building, first aid stations and three chair lifts. Due to clever arrangement and design, all events except the men's downhill

race will be visible from almost any point in the valley floor.

For those spectators planning to make a several-day venture of the occasion, a variety of motel accommodations will be available within convenient driving distance of Squaw Valley. Motel owners are building, repainting and preparing road maps to aid those unfamiliar with the area. Officials of the Olympic Organizing Committee are confident that those making reservations ahead of time will find ample accommodations.

Facilities for athletes

Competing athletes, meanwhile, will be no less adequately taken care of. Four dormitories (to be converted later to public lodging in the future Squaw Valley State Park), a large dining room and a recreational hall will be at their disposal in the Olympic Village which is separated from the main games area by a walk and footbridge.

The construction of such a sportsman's paradise has required considerable financial as well as architectural acumen. From the outset, it was obvious that no single group of citizens or state government could cope with all the financial, administrative or construction demands that a winter Olympics Games would make. The creation of a complete winter sports arena and village in the midst of wilderness would have required costly machinery which, unless rented or borrowed, could have made expenses prohibitive. The purchase of approximately 5,000 acres of some of the country's most spectacular scenery midway between two resort areas could have been as difficult as obtaining the necessary commercial backing for so sizable a nonprofit venture.

The manner in which these dilemmas were solved–by federal, state, military and private contributions–provides an interesting study of the possibilities of such cooperation.

The idea of holding the Winter Olympics in Squaw Valley was first proposed by San Francisco public relations man Richard Skuse and his client Alexander Cushing, owner of the Squaw Valley Lodge–at that time the only hotel in the valley. The two men, along with other interested parties, spent $53,000 to promote Squaw Valley as the site for the Winter Games. In 1955, when the U.S. Olympic Committee met to consider possible sites for the Eighth Olympic Winter Games, Cushing represented the Squaw Valley backers. Primarily because of its compactness–the relatively small area of the valley provides almost all the types of terrain needed for the various events–and an offer by the State of California to partially underwrite the Games, Squaw Valley was chosen over Sun Valley, Idaho, Lake Placid, N.Y.,

Colorado Springs, Colo., Reno, Nev., and Anchorage, Alaska.

Then, in Paris on June 18, 1955, the International Olympic Committee met to make the final selection of the site of the 1960 Games. The Committee followed its traditional policy of awarding the site not to a nation but to a community. Squaw Valley again won out, in competition with St. Moritz, Switzerland, Garmisch-Partenkirchen, Germany, and Innsbruck, Austria. The latter takes solace in the fact that Olympics for 1961 will be held on its slopes.

Having been awarded the Games, the Squaw Valley backers then began developing plans for financing the project. Prentis Cobb Hale, president of the Organizing Committee of the VIII Olympic Winter Games, and president of a San Francisco department store chain, mapped the strategy to obtain the necessary funds from both federal and state governments.

International prestige

Chosen for the Olympics, California added to its original $1-million contribution an additional $4 million for the construction of facilities. Then came the proposal to plan the Squaw Valley development as a park which would revert to the state after the February games. With this, an additional $2.99 million was voted from State Park Recreation funds to make the facilities into a permanent installation. Approximately 4,000 acres were leased or obtained through easements while 35 acres were purchased from individuals. Another 1,000 acres of National Forest Service land have been leased for 30 years.

With the necessary land acquired, architects began work on plans for the various buildings. Pointing out the international prestige involved, President Eisenhower in 1958 suggested that Congress authorize an expenditure of $4.4 million for the Olympic Winter Games, $3.5 million of which was earmarked for the construction of the Olympic Arena, a concrete and steel structure that will be the scene of the opening and closing ceremonies, as well as many of the intervening events. Now the property of the Department of Defense, the arena will be turned over to the U.S. Forest Service after the Games; but the state of California will be permitted to use it as part of the new state park to be created from the Squaw Valley site.

The remaining $900,000 of the federal allocation provided for the use of defense personnel and material to assist in the development of the site. Using equipment not needed at the time, the Army Signal Corps, for example, set up a communications system over the ski slopes. Using machines and techniques developed for building

arctic runways, Navy personnel will construct a parking lot of compacted snow. The lot will have a capacity of 12,000 cars. In a simple solution to a baffling problem, Air Force helicopters were used to haul cement and other building materials to mountain tops for the construction of warming huts and snow fences. The Organizing Committee opened bids for these jobs, but received no proposals from private firms.

Neighboring Nevada, which by its proximity will benefit greatly from the number of spectators who will be staying and spending on Nevada soil, has contributed $363,000 for the construction of one of the two spectator centers.

But with all this help, numerous expenses remain to be met. The Organizing Committee is relying on ticket receipts to cover $3.5 million of additional costs. Daily tickets will be sold for $7.50–covering all events–while season tickets for the 11 days, all events, will cost $60. In addition, those more inclined to comfort can purchase a season Arena ticket for $200, entitling them to a reserved seat in the Arena, and admission to all events held during the games, including Walt Disney pageants.

The committee is also counting on a variety of other sources to help defray expenses. Columbia Broadcasting System, for example, has guaranteed a minimum of $50,000 for exclusive television rights to the Games. This figure could go up to $500,000, depending on the number of broadcasts. The Organizing Committee expects another $400,000 from food and drink sales and other concession revenues, and from ski-lift fees. One lift and ski slope will be open to public use following the first two days of the Games.

Finally, it is expected that major national business firms will contribute up to $200,000, and will donate or loan to the Organizing Committee about $2 million worth of goods and services.

When the final event has ended and all financial obligations have been met, profits, if any, will go to the California State Treasury. And, as a result of the unique teamwork and cooperation which made the Squaw Valley Olympic Winter Games possible, California will have one of the newest and best equipped state park recreational areas in the nation. ■

Fisherman's Paradise

SCIENCE has identified 40,000 different kinds of fish, nearly twice as many as the varieties of all other vertebrates combined. The total number of commercial species may exceed 1,000.

GARDNER MURPHY
Director of Research, Menninger Foundation

Do people want individual freedom?

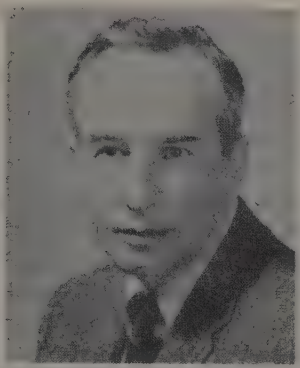
Adjustment and mental health

Human curiosity about humans

The willingness to resist the group

Is a new human nature possible?

Man's Knowledge of Man



RAYMOND A. BAUER
Social Psychologist, Harvard University

Can psychology be a control device?

Satisfaction: produced and marketed

Efficiency and control over people

Where are control techniques used?

Awareness and manipulation

TURN PAGE →

GARDNER MURPHY

The Psychology of Freedom

Q *Prof. Murphy, it has been said that human beings in today's society seem to be increasingly forced into institutionally defined categories of behavior. Do you agree with this view?*

A Well, I am not enough of an historian to know whether social control of the individual is any tighter today than it was a thousand years ago in Western society. But it is true that a man's status is more closely identified with the kind of job niche he finds than it was then. In this sense, society's control over the individual is tighter than it has ever been before.

Q *Do you think this is dangerous to human creativeness?*

A People have always been afraid to disagree with their neighbors–particularly with powerful neighbors–or, indeed, with any type of authority set over them. But today the situation is much more subtle because your views are identified with your job; you know that your bread is buttered in terms of the way in which your views make you safe and acceptable.

Q *Is there any escape from this situation?*

A I think there is. At least, we recognize the problem. After all, it is only since the American and French Revolutions that the modern world has become aware of society's encroachments upon individual thought and expression. Before that, one simply did not have such freedoms. But once having tasted them, people are very much aware that some of these privileges are threatened. So that, although many people may actually be becoming more sheep-minded, an even larger number is at least trying not to be sheep.

Q *As a psychologist, do you see any connection between mental health and the creative use of freedom by the individual?*

A I agree with the implication of your question. There is a relation, subtle and extremely complex, between an individual's willingness to accept society's rules and viewpoints and his ability to keep his head above water and swim somehow in an individual way toward an individual goal. This is a point that has been recognized only relatively recently. Since the development of psychiatry and mental hygiene around 1900, it has generally been assumed that he who deviates very much from the group outlook is a strange or even maladjusted person. This view began to be questioned during the depression years and even more so after World War II. More and more insistently, psychiatrists have been asking: How do you know that agreement with the mass is the touchstone of mental health? May not a person's vigorous dissent be a sign of ruggedness and individual strength? While it is true that a person who has to disagree with society on all points may have some deep quirk within him which just makes him incapable of functioning effectively, it is equally true that people who have no place for rebellion in them may be, as Shaw said, essentially inferior people.

Q *Well, how can our new knowledge about ourselves help us preserve and enlarge our own potential for innovational deviation?*

A Research on how human wishes and fears influence the way we perceive, remember and think is summarized in the phrase that "the wish is father to the thought." Knowledge of this gives us some hope that people can, to some degree, outgrow the implied irrationalities and discover ways in which wishes need no longer have such a compelling and distorting effect upon judgments, memories and thoughts. If, as we are trying to do at the Menninger Foundation, you give people a chance to watch themselves engaging in this kind of distorted thinking, you can help them develop a certain sense of perspective by making them realize the many ways in which they have misjudged or oversimplified a situation. Such knowledge can be used to avoid getting into similar difficulties in the future. So you see that, although I think the tendency toward crowd behavior in modern society is extremely dangerous, I do not believe that man is hopelessly and permanently trapped into a blind irrationality through a sheeplike following of clichés.

Q *How can psychology help us to distinguish between objective reality and the artifacts of society?*

A As J. B. Conant has pointed out, it takes more than a lot of new facts to dislodge a deeply ingrained scientific theory; it takes a competing system and a new outlook which, by explaining the facts more clearly, will make the older way appear less gratifying to the mind of the thinker. As we try to make scientific studies of human nature, we are finding the same sort of thing. False beliefs about human nature are bound to remain because such beliefs are relatively well organized, satisfying and, therefore, harder to dislodge than those in the physical sciences. On the other hand, I see no reason to despair of ultimately achieving such a step forward.

Q *The thing that you pin your hopes on most is our growing curiosity about ourselves. But haven't we always been curious about our behavior?*

A It is true that some individuals in any society do have a deep curiosity and drive to understand themselves and their fellows. But, as I see it, simple, ordinary people have no such curiosity. They tend to accept the prevailing outlook concerning the necessary and the avoidable in life, leaping rather pathetically for any new drug or new invention which, they think, will make their lives a little more pleasant. Now, what I am putting my hope in is the fact that with the rise of modern science, there has been a strong countermovement in which political, economic and military events have loosened up some of the traditional rigidities. A rather small number of philosophers, artists and doctors began to create a scientific method for psychological inquiry–that is, a method of challenging and uprooting stereotyped conclusions and looking for objectively verifiable principles.

Self-questioning an inevitable consequence of the new curiosity

Q *Does this new curiosity extend to asking questions about your own behavior?*

A To a certain extent I think that such self-questioning is an inevitable consequence of this new curiosity. If you start asking why men in other professions like strings of letters after their names, sooner or later you will have to ask why people in your own profession do this.

Once you get curious about human beings, such curiosity will sooner or later boomerang to include your own behavior eventually. A sense of humor would require this even if nothing else were involved.

Q *But as the group feeds, clothes and shelters us more and more (in the sense that our livelihoods are increasingly dependent on group decisions), the average person gets most of his satisfaction from the group. How free is he, then, to use this curiosity?*

A While it is undoubtedly true that there has been a gradual loss of free inquiry in America since the turn of the century, it is also true that certain basic assumptions about human disagreement and the conditions under which such disagreement may be voiced are establishing more and more clearly the rights of argument. But there is also increasing unwillingness to take advantage of these rights of argument.

Q *What can we do to overcome this timidity?*

A Well, it takes courage and a willingness to be identified with political, intellectual and social causes which may be unpopular. It means taking time out to work in community affairs and in local discussion groups.

Q *Many people are doing this. But to what extent does our urge to participate in group discussions, meetings, and so on, really represent a desire for rational solutions, and to what extent is it merely a way of getting group recognition and acceptance for existing prejudices?*

A I think you are right when you imply that people who band together to challenge herd-mindedness are often no less herd-minded themselves. There are basically two kinds of individuals in a modern world who can lead countermovements against the despotism of "group think." First, there are the people who are willing to work through the existing institutional machinery. They are like a little boy on the head of an elephant who knows how to control his enormous animal; not through domination, but by wheedling and by using the elephant's existing habits.

Q *And the other?*

A These are the people who really have a new idea but who know that without using mass media communication they are just going to die in garrets without ever making their mark. They know that this is no

longer an age of hermits in which one man standing on a roof top can hope to be listened to.

Q *But can the exceptional person whose thoughts represent a very strong deviation from the accepted norms of society find a hearing?*

A I think that there are a great many such individuals who have something very unique and valuable to offer. Although they are not listened to by the people in power or by the population at large, their ideas, nonetheless, have quietly, insistently and cumulatively exerted a tremendous influence in the modern world. But these are not the people who are commonly listened to during their lifetimes.

Q *Can anything be done to make people more receptive to new ideas?*

A Well, it has, in general, been quite easy to put over psychological ideas, for example, by means of authoritarian methods. In fact, I believe that what we have to fear in a science-minded age is that, instead of mastering all the difficult principles involved, people will take something on the basis of authority. This can result in a great deal of harm. If, for example, you had taken literally the child-rearing advice given out by the government's Children's Bureau in 1924, you would, according to that same Bureau's studies in 1956, have been making some very serious mistakes.

The whole living system operates as a unit

Q *Does this mean that you think the only advice psychology should give should be extremely general?*

A When it comes to giving advice on such large and complicated questions as child rearing, I would say, yes. For example, there is no harm (and a great deal of good) to the bland generalization that we should encourage the creative efforts of small children. This means that even though your three year old may (and probably will) make a mess of things, he should have a chance to experiment with color, form, rhythm, and so on. But there are other kinds of psychological statements, based upon very precise experiments, and here, I think, the public must be warned against applying such experimental findings to their own lives.

Q *So far we have been emphasizing the individual's need to free him-*

self from irrational wishes and fears. But aren't we thereby ignoring nonintellectual aspects of the human personality? How can psychologists help us to utilize some of these unconscious drives?

A Whether we like it or not, the whole living system operates as a unit. Rational and conscious processes cannot function in a purely independent manner. The point that I was trying to make earlier is that if the individual does not realize the contribution which irrational wishes and fears make to his outlook, then this failure to understand himself may defeat the wisest and most rational objectives.

Q *Prof. Murphy, you entitled your book "Human Potentialities" in order to emphasize that at any given time the human personality expresses only a very small fraction of its full potentialities. Do you think that we shall actually be able to fashion a "new" human nature and, if so, will this new nature be any better than the old?*

A In my book I tried to distinguish among three kinds of future human evolution. First, there are the biological changes which, within a few generations, are likely to give rise to a kind of human nature a good deal different from the kind we now know. The reshuffling of human genetic material as a result of current cultural trends is taken for granted by a good many biologists. Secondly, I ascribe a great deal of importance to cultural changes. Much that was unthinkable in society 500 years ago is today taken for granted. Until the French Revolution, for example, torture was regarded as a perfectly normal and correct way of extorting information and punishing people in all civilizations. Today it is regarded with horror. True, certain types of torture have been rehabilitated (as, for example, in prison camps), but I really believe that fundamental, social and cultural changes have altered our values in this respect.

Q *What is the third kind of human evolution?*

A I think that this is the most important one: the emergence of a kind of human being who actually wants to understand his own make-up. This is a kind of human nature that we never had before. And this is the main reason why I believe that a new kind of human being may be emerging.

Q *Thank you, Dr. Murphy.* ■

RAYMOND A. BAUER

The Power to Control

Q *Have modern psychological techniques developed to a point where they really can do things which they weren't able to do before?*

A The answer has to be yes. The very simple-minded notion that psychologists have been working very busily in extending their knowledge so that we can predict and control behavior is ironical. Much of what we have learned leads to the conclusion that behavior is more difficult to control than we had thought. This is particularly true of research in the field of social communications. We have learned a great deal about the conditions under which communications are effective, and the picture is a lot more complicated than you might think. For one thing, it is extremely difficult to tell whether people will or will not listen to your communications.

Q *Can you give an example?*

A This is a typical example. Researchers at the Bureau of Applied Social Research at Columbia found that, under experimental conditions, they could use educational radio programs to change people's attitudes. But when they put these programs on the air, they found that the very people whose attitudes they wanted to change didn't listen. And even if people do listen to the communications, they react differently. I don't think there is any single example of communications uniformly changing attitudes or behavior in a nonexperimental setting.

Q *Would you say that one reason why people worry is that today there is a more deliberate intent to condition behavior?*

A I would agree that there has been a tendency toward more *deliberate* uses of psychological knowledge. Whether this has, in fact, resulted in more "control" is really impossible to say. Certainly, the public is more aware of these devices and is therefore in a better position to resist them. Also, such devices have been introduced across the board. If

everybody who sells soap flakes uses pychological techniques, this clearly eliminates some of the advantage to be derived from such techniques.

Q *People are disturbed by the idea that they are being persuaded to buy things for what economists would call nonrational reasons. The question here seems to be, is it succeeding?*

A I honestly don't know. But then, how do you measure success in this instance? It is extremely difficult to determine what the positive evidence would have to be on this score. All we know for certain is that companies are trying to do this. But I think that social critics, who confuse intent with accomplishment, are guilty of slipshod thinking.

Q *But why is such a lot of money being spent on studies in this area of psychological influence? Is this money worth spending?*

A Not only do I think that in most instances the money is worth spending, but I actually take some of it myself occasionally. The question is: Is control on an unconscious level increasing?

Q *Evidently a great many organizations feel that it is, since they are spending more money than ever before.*

A Well, I would like to look more specifically at what they are spending the money on. I am not sure that this is necessarily on unconscious manipulation. One of the ways these funds are spent is in finding out what the consumer wants and what appeals he will respond to. In a very real sense, the consumer may actually be manipulating the manufacturer in these situations. It may very well be that the sole result of this sort of research will be to make the interaction between the consumer and the manufacturer more efficient.

Q *But if companies are going to be increasingly involved in producing "satisfactions" instead of goods and services, won't this inevitably lead them to exploit hidden and "irrational" consumer desires?*

A I think that psychological research will play an increasingly important role here. But as long as this is done in a competitive environment, it may have very little effect. For once one company uses any psychological technique, everybody else will be using it sooner or later. The main question is whether some aspects of products will be

stressed which might not otherwise be stressed. Again, I think this is an unanswerable question, and I think I can quickly point out why. There is no getting away from the fact that long before anybody heard of Freud, products were being sold by appeal to non-rational human needs. Of course, since they were being developed and designed in this way accidentally, the evolution of a product which met such needs was probably much slower. The sole effect of psychological research may be to speed up this process.

Q *Well, such products as cigarettes are already being sold this way.*

A Yes, but everybody knows this. I think it is accurate to state that you never can tap unconscious motives directly. What you can do is get evidence from which you can infer unconscious motives.

Freedom vs. all other gratifications

Q *But if a cigarette ad, for example, stresses egosatisfaction in a product whose ostensible virtue is a good smoke, aren't you limiting the consumer's freedom–assuming that your appeal works?*

A There is something in what you say. I recently read, for example, that you could design an automobile so as to produce slight erotic satisfaction, without even advertising it that way. The result of this sort of thing, assuming it works, might be a more satisfied population and, therefore, one which is politically less rebellious. I think that the problem here was best put by Aldous Huxley in his novel, "Brave New World," as one of freedom versus all other gratifications. "Brave New World," Huxley's nightmare Utopia, is designed to give man every gratification except freedom. But our anxiety on this score is based on our confusion concerning the meaning of freedom.

Q *Couldn't all of these appeals to the unconscious result in a controlled society?*

A I am a firm believer in unconscious processes, but these can, in almost all instances, be equally well activated on a conscious level. Given the existing state of our psychological knowledge, I think I would feel much safer controlling society on a conscious rather than on an unconscious level–assuming I had dictatorial ambitions.

Q *Would you say that such techniques have had greater success in dictatorships such as Nazi Germany and Soviet Russia?*

A In the Soviet Union, the controls are quite overt, but these overt controls encourage unconscious tendencies toward conformity.

Q *Isn't there a distinct conflict between such conditioning devices and the social flexibility which large organizations need for innovations?*

A This is an interesting point and one which I think has been pretty much overlooked. We have undoubtedly been learning enough to enable us to better control behavior, at least in certain respects. But should we assume that this will lead to tighter and tighter organizational control over behavior? Students of organizations have been increasingly coming up with a view of organizational efficiency that would discourage the kind of tight control that many American businessmen have been trying to achieve without the use of any refined psychological knowledge.

Q *The unconscious control technique which has received the most publicity recently is subliminal advertising. Do we have any evidence that individuals respond to stimuli which they do not consciously see?*

A One of the things at issue here is what you mean by "consciously see." You may, for example, be looking at one corner of the picture while something else is happening in another corner. Now, what's happening in the other corner of the picture may be above your sensory threshold, but you are not actually aware of it. I think there is little dispute over the fact that you can feed information into people in this way. But can you do it with stimuli which are below the person's sensory threshold *when he is aware of it?* If I were presenting something on a screen and I told you to look at it, and you were primed to see it, and you could not report seeing it, this would truly be subliminal stimulation. It has not yet been proved that this kind of stimulation can influence the behavior of large groups of people.

Q *Well, is it necessary to use these techniques to control large populations? After all, in any society the influencing of key people is often all you need to control a whole society.*

A The key question there is what you want to control and who is to exercise the control. The elite groups would be the people who would be

exercising the control over others, so that you would have to have a small elite controlling a larger one. I would guess that most of the types of control that we have talked about could not, in practice, be exercised over such a group. For this is the group that your dictatorship must depend on most for innovation and independent thinking. Of course, you might control them in the sense of conditioning them for better performance.

Q *How easy do you think this sort of control would be?*

A I think that when you really get down to the problems of social control rather than individual control, you get into some really tough problems. The techniques developed in the last 20 years are really most effective with individuals or small groups.

Q *Even so, the availability of these new techniques is presumably an advance in knowledge which at some time and under a certain situation might prove useful. How desirable, in most instances, is their use?*

A I've never argued that we haven't increased our knowledge, particularly our knowledge of the control of individual behavior, and I don't question this at all. Such knowledge might be applied to small groups, but the problem there is: what sort of control do you want? This can be illustrated by the dire predictions of future wars in which soldiers will be given drugs so that they won't be afraid. No general would want a mass of soldiers winning the war by "bravely" running into the guns of the enemy and exhausing their supply of bullets. Neither would he want his whole army to be composed of soldiers who were not concerned about their self-preservation. He wants them to live because only live soldiers can fight.

The selection of personnel and their motivation

Q *How do these control techniques operate in the personnel field where the attempt is made to get happier and more productive workers?*

A You have two areas here: one is the selection of personnel and the other is their motivation. A lot of very competent work has been done on the selection of personnel. But ironically, this is an area in which virtually no psychological principles have been involved. The technique

that is most often employed is to look at the characteristics of the people who have been judged successful on the job, and then try and select people on the basis of these personal characteristics. For jobs requiring medium and relatively low levels of skill, this seems to work quite well, and seems to produce the type of employee the firm wants.

Q *On the second problem of "motivating" workers, couldn't this idea of making the worker happy on the job be carried to the point where he is so satisfied with the organization he works for that he is, in a sense, becoming controlled?*

A There is a certain irony in your raising this question. For a generation at least, social critics were complaining about the alienation of the worker from the job. I think the only sensible response I can make to your question is to consider the alternative. The only apparent alternative is for the company to make the work situation less pleasant and deliberately produce alienation. I wonder if anyone would seriously recommend this.

Q *Have these techniques been used in the selection of executive personnel?*

A There has been a great deal of talk about this problem but, to date, the results are much less satisfactory than with other kinds of personnel. Obviously, you don't want just one kind of person in an executive position. If you were to consult a group of psychologists on the aptitudes and personality traits which a good executive should have, you would probably get a great many contradictory answers. In fact, the tendency in this field has been to use much less rigorous criteria of inclusion and quite rigorous criteria of exclusion.

Q *Looking at this problem of psychological conditioning as a whole, need increasing knowledge make us more responsive to the manipulators?*

A I don't think so, although the possibility exists. The individual may come to exert less influence over his destiny. But it is equally possible that the very psychological techniques which are expected to bring this about will, in fact, give him greater self-awareness and more control over his destiny. I certainly hope so.

Q *Thank you, Dr. Bauer.* ■

INTELLECTUALS IN INDUSTRY

American corporations search for independent brainpower

by Leonard Silk

■ THE GREAT unrequited love affair of our time is the passion of the business corporation for the university intellectual. More and more, in recent years, the corporation has been declaring its lawful affection and need for the intellectual–while the intellectual (though frequently tempted and won) still retains his doubts, suspicions and sense of moral superiority toward the corporation.

We have heard a lot about this affair from the alleged victims, the intellectuals, who have denounced the corporations for a subtly corrupting and mothering influence (Alan Harrington in *Life in the Crystal Palace*), for destroying their individualism and drive (William H. Whyte, Jr., in *The Organization Man*), and for turning inner-directed men into other-directed mice (David Riesman in *The Lonely Crowd*).

But from the other party to the affair, the corporation, we have heard but little to justify its behavior and its motives. This is inevitable; words are not its metier. More than that, the corporation is probably somewhat uncertain about its own motives in wooing the university intellectuals and more than a little ambivalent about its deepest feelings toward them. The brains are wanted and respected, for they have great pecuniary value–but they may also be a little despised, for they cannot command, they possess little or no wealth, they are free as birds and can fly away from conflict and inner corporate strife. And, from time to time (especially after the intellectual has begun to accept a fee for his services), there are doubts on the corporation's side as to whether the university intellectual's virtue and independence are quite as pure and unsullied as advertised. Nevertheless, the affair continues–indeed, grows stronger

from year to year. What is at the bottom of it?

At the bottom, quite clearly, is the scientific and technological and organizational revolution of our time. Technological progress forces an increasing specialization of knowledge and skills in every field important to large modern corporations, which means just about all the physical and social sciences.

But at the same time, increasing specialization produces a counter-need–for the integrating generalist, who can master a very broad area of special fields and supervise their cooperation toward common objectives. Indeed, some students of scientific trends hold that the specialties may develop so rapidly, and the supply of outstanding specialists to man each discipline may become so limited, that what becomes necessary is the development of men who are highly skilled not in any single specialty, but rather in scientific process and can quickly turn from one area of scientific research to another.

The great corporation today–whose business may involve peering down into the atom or up into the cosmos, arranging the work routines of thousands or hundreds of thousands of men, creating systems by which millions of dollars can be put into the right projects, conducting "external" relations with agencies of the U.S. government and other governments, trade unions, other companies, educational institutions, the general public–is at the very center of this revolution, which has created this twin need for specialized brainpower and integrating brainpower.

The corporations have, of course, sought to bring much of that necessary brainpower into their own organizational structures. The number of college-trained people, in all fields, on corporate staffs has increased enormously since World War II. Companies like Ford Motor Co., International Nickel Co. and Air Reduction Co., say that they have five or six times as many college-trained people on their staffs as they did a decade ago. A Carborundum Corp. executive says, "A college education is a normal requirement for practically all new employees in management, sales, staff, research and engineering jobs."

But the existing supply of such people–and the number of really high-quality people the colleges and universities are capable of turning out year by year–is limited. And many of the outstanding people, the top researchers and thinkers with established reputation in their fields, are so scarce as to be unavailable to individual corporations on a full-time basis.

Many of the ablest men would refuse to leave their university posts for any price. But even if the cynic were right and every man

were available at some price, it might still make little sense for even a very great and very rich corporation to hire the best brains off a campus for its own regular staff. Not every corporation yet sees things that way–in fact, there is much complaint and concern these days that the corporations are luring too many of the most able men away from the campuses and the basic research they should be doing. But more corporations are coming to see that–even from their own narrow and short-run standpoint–it may be more sensible to draw on the university brain as a consultant, rather than try to pluck him from the academic vineyard.

'Creative' manpower

For business is coming to know and understand the intellectual much better than once it did. Not long ago I had occasion to conduct a series of interviews with business leaders on their view of the nature and problems of scientific, professional and "creative" manpower. Here is a composite picture of the intellectual as the executives saw him:

•He hates to be pushed around. He hates to be treated like a "subordinate." His conception of his role is as the intellectual equal of anybody, regardless of rank, status, seniority.

•He has divided loyalties–not only to the company or institution that pays him but also to his profession, his own intellectual conscience, to scientific or abstract truth (whatever that may be; Pontius Pilate still won't wait for an answer).

•He is by nature–certainly in the area of his specialty–a nonconformist. The quest for new ideas requires great skepticism about the value of old ideas, a willingness to look foolish, waste time, be a crank.

•He loves a maximum of freedom–because the quest for new ideas cannot go on except in an atmosphere of freedom.

•His feelings are easily wounded, and his concern for the inviolateness of his intellectual honor is likely to be intense. He often feels that giving in to the views of a boss represents prostitution.

•He works best when he feels that he is really his own boss–when, in other words, he feels that he has genuine responsibility for what he does, how he does it.

•He likes to feel that what he is working on is important. He hates routine work. And he often gets restless when what he conceives of as the tough or creative part of a job is over.

And, when I asked these business executives to tell me their prescriptions for the appropriate care and feeding of these thinkers, if they were going to function best, execu-

tive after executive reeled off the same kinds of prescriptions which have long been familiar in the intellectual's old haunts–the universities and the professions: providing a maximum of individual freedom, recognizing individual accomplishments, avoiding too tight organization lines, giving challenging assignments, creating an exciting intellectual environment.

Freedom and security

That sounds like heaven, but to many an intellectual (I shall stubbornly persist in not defining the word) it also sounds like malarkey, so far as the present corporate world is concerned–for I have talked with them, too. There are, of course, varying degrees in which particular companies, or the research laboratories of particular companies, may approach the freedom and security of tenure of the great universities. As a generality, however, one would have to say that there is still a pretty wide gap between the degree of intellectual freedom in the university and in the corporation. Almost certainly–as long as the corporation's primary business is making money and as long as the university's primary business is discovering truth –the gap will persist, though it would clearly be nonsense to put the corporate-academic, money-truth division in black-and-white terms.

And the big difference here probably does not turn on this abstract issue but rather on organizational lines. The corporation is a massive organization where individual wills must be coerced and harmonized to serve a common purpose. The university, on the other hand, is still basically a collection of unrelated individuals or small groups, who may be at war with each other or against the university administration itself, and still serve the cause of "truth," even if the separate truths appear to be in conflict with each other.

Certainly the wisest of corporation executives recognize that the pursuit of truth, in an atmosphere of unfettered freedom, is essential to long-term corporate goals. The corporation, so bitterly denounced today as the very Kremlin of enforced conformity, appears to be in the process of becoming an institution where more and more individuals are being encouraged to think and speak out and say no and use their imaginations. The great and growing need for creative people–and the growing recognition that they are people who can serve both the corporation and their own private and professional consciences–seems to be spreading beyond the laboratories. This may, in time, spell the demise of the corporate "true believers," cynical hacks, yes-men and timesavers. Even within the corporation, Cre-

ative Man may at last triumph over Organization Man.

But the time is not yet, and the corporations know it. That is why, not entirely trusting their own very smart and very well-paid people, the corporations are turning increasingly to the university intellectual. They want his specialized knowledge; but they also want his independence, forthrightness and honesty–ensured, they hope, by his freedom from corporate bureaucracy and careerist ambition.

Not every university consultant is worthy of such trust; the careerist, the trimmer in quest of an easy fee and a minimum of trouble can sometimes be found within the university world. And, by the same token, the hard and conscience-bound fighter for truth is by no means unknown within the corporate world.

Nevertheless, by and large, when the corporation turns to the university man, one of the big things it is hoping to get is honesty and impartiality.

To be sure, sometimes its purposes are less glorious: it may be seeking a "name" whose prestige will clothe its own policies or programs with honor. Sometimes it is seeking an outsider who will take responsibility for resolving an inner conflict that cannot be resolved without breaking heads. And often it is just trying to save money by drawing for a one-shot job or an occasional lift on a scarce talent that it would have little continuing need for; sometimes, it may be even bargain-hunting–turning to a university consultant rather than a management consultant who might be considerably more expensive.

But I don't think that either bargain-hunting or one-shot brain-picking is the soul of the relationship between the corporation and the academic authority. The true soul of the affair, I feel sure, is a growing admiration and respect for the integrity and the imagination of the really gifted intellectual. ■

Ice Age for Moderns

THE UNITED STATES ARMY is building a town, large enough for 100 inhabitants, beneath the surface of the Greenland ice cap. Scheduled for completion this year, the experimental town may be reached from the "outside" by a subsurface road connecting with Thule Air Force Base, 138 miles distant. The "streets" are trenches dug with large rotary snow plows. By making deeper and wider undercuts the streets reach a depth of 22 feet below the surface. Snow discarded by the plows is swept back over the opening to form an extremely rigid roof. The "town square," already completed, is 1,000 feet long by 800 feet wide.

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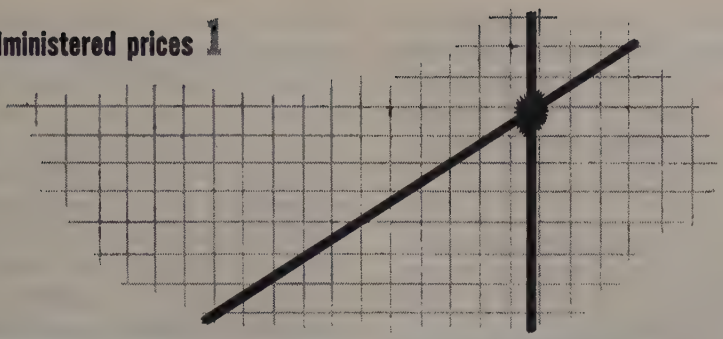

WHY CORPORATIONS FIND IT NECESSARY TO 'ADMINISTER' PRICES

by Robert F. Lanzillotti

■ SOME 25 YEARS AGO the distinguished economist Gardiner C. Means coined the term "administered prices" to describe certain industrial goods whose prices are typically rigid, at least for a period of time, and whose sales fluctuate with demand at the rigid price. In contrast to what are sometimes called "market prices," i.e., those that are determined *automatically* by the interaction of demand and supply forces in the market, "administered prices" are formulated in executive offices of companies as a matter of operating policy and financial planning by corporate officials.

The distinctive feature of an administered price situation is that firms, whether acting individually or cooperatively with competitors, have a kind of plenary power to set prices within a considerable range. Market forces, of course, limit the range within which an administered price may be set, but they do not *determine* the price. There is nothing in the supply and demand situation that will *force* a particular price to result.

This condition, where firms enjoy measurable discretion over prices, is found whenever the number of firms in a particular industry or market is small, or wherever one or two firms account for a predominant share of the market and act as strong price leaders. Typical examples are such industries as automobiles, steel, aluminum, rubber, chemicals, petroleum and electrical equipment.

While recognizing the undesirable competitive implications of these situations, many economists

–including Dr. Means–regard administered prices as an *inevitable and indispensable* part of our modern economy. Harvard economist John Kenneth Galbraith goes even further and says:

> It is equally inevitable that a great many industries will be conducted by a comparatively small number of large firms. That is the nature of capitalism wherever it is found. A large amount of price administration is thus part of our economic system. Those who deplore it are wasting their breath.

There are other economists of note who contest the validity of this view and hold that administered prices are symptomatic of excessive market power that should be brought under some type of social control. But there is no general agreement among economists regarding either the need or desirability of such measures.

Greater awareness

Almost all students of the subject, however, seem agreed on one point: the nature of administered prices is not fully known or understood by policy-makers and the public. In order to formulate appropriate and effective national economic policies regarding inflation and full employment, there must be a greater awareness of the way in which administered prices are determined and the nature and extent of their impact on general economic processes.

The limited information available on the actual pricing process suggests that many factors motivate and influence corporate managements. A recent Brookings Institution study of big corporations, whose pricing falls in the administered price category, discloses that corporate objectives underlying price decisions vary from company to company within and among different industries. Most large companies were found to have rather specific long-term goals, such as the desires to:

- Attain a particular "target profit" rate on capital invested in the company.
- Stabilize industry prices, margins and profits.
- Attain a specific percentage or "penetration" of a market.
- Meet or minimize competition.
- Follow the price leader.

A National Industrial Conference Board survey of 155 companies confirms the Brookings finding:

> Representative is the statement by a vice president of a general industrial machinery concern that "the basic policy is to establish prices that will return a predetermined volume of sales.

General Motors officials, for example, have indicated in several appearances before Congressional

committees that it is their policy to set prices to yield a profit of 15 to 20 per cent *after* taxes on investment. In practice, this means that even though GM output should fall below the company's normal volume (as in 1957-58), or consistently above (as in the 1950-56 period), suggested list prices established at the beginning of the model year will remain unchanged. This is the prototype of administered prices.

Long-range and inflexible

There are two main sets of factors that explain why managements think in terms of relatively long-range, inflexible prices. First, a firm falling in the administered price group usually will be characterized by one or all of the following features: it is one of a few large producers; it is a price leader; and it sells products in a market or markets that are more or less protected by virtue of the magnitude of capital requirements, the influence of trademarks, brand names and patents, and the control of strong retail organizations.

A second set of special influences is found in the nature of the product, production costs, customer preferences, problems of internal management control and various public pressures. More specifically, administered prices are traceable to:

- A high capital-to-sales dollar ratio.
- Relatively constant unit costs over wide ranges of output and over long intervals of time (up to a year).
- Rigidity of wage rates and prices of some semifinished materials and intermediate goods.
- Customer preference for stable (rigid) prices that simplify pricing and production planning.
- High cost of frequent price changes for the company.
- Increasing pressure on managements to resort to capital budgeting and profits planning in order to allocate available capital funds to competing uses and to provide for necessary plant expansion. (Projects that offer the best promise of reaching the predetermined profit target over the long term are likely to be given priority in the use of funds.)
- The guarantee of the Full Employment Act of 1946. (Firms, like wage earners, have a reasonable assurance that government action will be taken to maintain incomes and production. Hence, decreases in demand are viewed as temporary, and decreases in price dangerous and unnecessary.)
- Management conception of the corporation as an industry leader vested with responsibilities akin to those of a public utility. (A U.S. Steel official confided that he was "unable to understand or properly describe the corporation's pricing policy except as something like the

approach of the public utilities.")

•This tendency toward public utility thinking is reinforced by the disposition of the community and government officials to appeal to such firms as "pattern setters" for industry generally. In pricing they are expected to restrain themselves from taking full advantage of immediate profit opportunities.

Uniformity of prices among competitors also is typically found in conjunction with administered prices, which means that the force of competition is channeled along lines other than price. This is why profit targets are crucial–to provide a steady flow of funds to help maintain company position in the industry, as well as to mollify stockholders. Plant expansion will be planned with some "built-in" excess capacity so that the company can compete for customers by guaranteeing supplies in times of peak demands.

Thus, administered prices are regarded as necessary to protect producers from the temptation of cutting prices as a means of stimulating sales and operating closer to capacity–an action which corporation executives generally regard as self-defeating.

The wisdom of this thinking, of course, depends upon the responsiveness of industrial and consumer demands to price cuts. It is plausible that in times of declining demand both industry and consumers will postpone those purchases that are postponable; hence, price reductions would not greatly alter the purchases of these buyers. The magnitude of price cuts (i.e., token vs. large cuts) and their impact on buyer expectations must also be reckoned with, however. Experts are divided on this question, and managements feel an administered (rigid) price policy, on balance, is "safer" in terms of their long-run objectives.

Misleading emphasis

It needs to be noted, therefore, that the expression "administered prices," while an accurate and vivid description of the kind of pricing under discussion, carries a misleading if not faulty emphasis. It would be more accurate and more useful, both to an understanding of management thinking and a guide to public policy, to speak of "administered profits." By doing so, attention would be focused on the fact that our big corporations are *interested in and have the economic power to make administrative decisions that will fully utilize, or underutilize, industrial capacity as necessary to meet profit objectives.*

Even a brief discussion of the problem of administered prices and inflation requires more than just a mention of the importance of the rigidity of costs–and wage costs, in particular. The persistent inflation of the post-World War II period, at

times side-by-side with recession, raises the question of whether our economy has developed a new kind of inflationary track as contrasted with the old-fashioned monetary variety.

Although the problem of administered prices would exist even in the absence of unions, the development of strong labor blocks has complicated the problem. The ability of management to administer its prices, on the one hand, has meant less resistance to union demands and, on the other, the level of profits resulting from administered prices has made labor more militant in its demands.

Since the end of the Korean conflict especially, both management and labor appear to have taken advantage of the administered price mechanism to escalate cost and price increases upward in a "staircase" pattern. The rather large area of price discretion available to certain companies has afforded a means by which both management and labor interests could attain their private objectives. The administered price mechanism has provided a rationale for explaining the result to the public.

The decision of the steel companies to "bow their backs" against union demands in the 1959 negotiations was due, no doubt, to concern about the high levels steel prices had already reached and the increasing threat of foreign steel. There is reason to believe, however, that the prolonged stalemate and costly strike was also due in part to the belated recognition by government officials of the administrative nature of wage-price adjustments in our major industries and a desire to do something to bring this inflationary mechanism under control.

The resort to admonitions, pleas and threats at the only real point of susceptibility–prices–reflects official concern over administered prices, but apparent inability to make them serve the economic system. It remains to be seen whether this strange administrative process that has served management and organized labor so well in the past decade will be harnessed and directed in the public interest. ■

Looking for a Psychiatrist

ALTHOUGH THE total number of psychiatrists in the United States has increased 21 per cent in the last three years, there are still very few in proportion to the population. The U.S. has, on the average, one psychiatrist for every 16,400 persons. In North Dakota there is only one for every 72,000 persons. Only 15 per cent of American psychiatrists are engaged solely in private practice; the others also spend time teaching or in hospital and clinical work.

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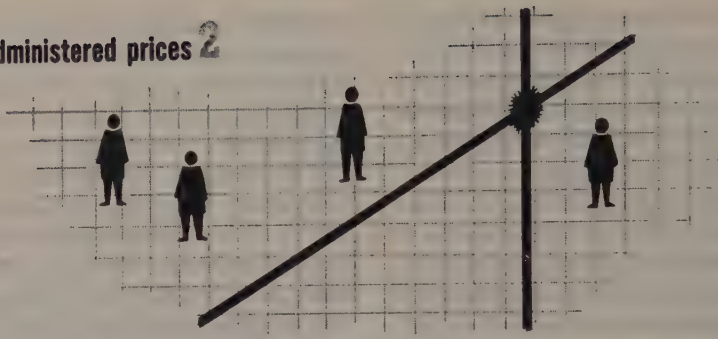


IS THERE A PUBLIC SIDE TO PRIVATE PRICE-MAKING?

by Irwin M. Stelzer

■ ECONOMISTS long ago abandoned the notion that prices and output are determined in large measure by the unimpeded operation of impersonal market forces. The spotlight now being thrown on the problem of administered prices represents only the most recent and perhaps best publicized effort to demonstrate what few responsible executives would, in private, deny–that the prices charged for the bulk of our national output are, within varying limits, determined by corporate officials. The presidents of major corporations do not buy the daily newspaper to discover the prices their firms' output will bring that day.

Awareness of the range of discretion open to business administrators has been sharpened by the recently published Brookings Institution study, *Pricing in Big Business*, by Kaplan, Dirlam and Lanzillotti. The frequency with which executives cite as a pricing objective the achievement of some "target" rate of return on investment raises the question of whether or not some form of public-utility-type, cost-plus-fair-return pricing has now come to dominate nonregulated industries.

An apparent impossibility of maintaining anything like an unconcentrated, purely market-directed economy inevitably leads to a consideration of how current antitrust efforts can be integrated with some other form of control over various industries.

And by control we do not necessarily mean utility-type regulation. This author has, in past years, had sufficient experience with utility-type regulation to be aware of

its potential (although not unavoidable) dangers: regulatory delay, complex and expensive quasi-judicial hearings, eventual identification of the regulators with the regulated, etc. Nevertheless, it must be realized that the choice in many instances is no longer between government regulation, on the one hand, and a "free" market, on the other. Rather, the choice is between government regulation *in some form*, or private administration by managers remotely responsible, at best, to scattered and impotent stockholders.

What must be clear is that regulation need not be, as tradition would have it, a response to *monopoly*. In the words of one prominent economist, Dr. Alfred E. Kahn of Cornell University, ". . .the presence or absence of competition is not in itself and in all situations a complete and sufficient test of whether or not government intervention is required. . .Markets in the real world–even markets that may fairly be termed competitive–are typically highly imperfect. The processes by which supply adjusts to demand and demand to supply are often so slow, so inexact, so painful that they impose intolerable hardships–in some instances on buyers, in other instances on sellers. In such instances, economists have long recognized, government intervention may be perfectly appropriate to supplement and even on occasion to supplant the unregulated pricing mechanism, even in the absence of obvious monopoly power."

To fully understand the meaning of this position, it is necessary to examine various instances of public participation in the pricing process. The free enterprise-oriented reader should attempt to overcome his immediate–and, from many points of view, desirable–negative reaction to any government intervention, no matter how mild. If the community decides that its welfare requires some form of "regulation," obstinate resistance to it may eventually result in even more stringent measures, such as *direct* government operation.

The term "regulation" is generally taken to mean direct control by government over pricing, so as to keep profits at "fair" levels. So defined, regulation was first applied to such local monopolies as water works, electric and gas distribution companies, street railways and telephone companies. The complete absence of competition, actual or potential, in the supply of an essential service led to what has come to be known as public utility regulation. Government commissions assumed the role of the absent competitors by keeping profits at "normal," "fair" and "reasonable" levels. The disintegration of Adam Smith's "invisible

hand" was compensated for by the extension of the long arm of government into the pricing process.

Gradually, however, both the reasons for and the nature of such regulation changed. A general awareness of the need for regulation to correct malfunctionings of the price system led to its extension into nonmonopolized fields. Since such regulation was designed to serve a different need, it inevitably took a different form.

Drastic example

In some instances (natural rubber, coal and agriculture) government intervention in the pricing process was designed to set minimum prices. Such action was deemed necessary because socially intolerable price fluctuations resulted from major lags in the adjustment of output to price changes. The natural rubber industry provides a most dramatic example of conditions which, to a lesser degree, prevail in much of agriculture. It takes about six years for the rubber-bearing Hevea tree to reach maturity. For a period of at least that many years, therefore, price increases cannot result in substantially expanded production. Under such circumstances, it is not surprising that a 343 per cent increase in rubber prices between 1921 and 1925 called forth only a 75 per cent increase in Far Eastern exports of rubber. By the time the plantings of the early 1920s reached maturity, demand had slackened. Trees could not, however, be unplanted; native labor could not readily move into other occupations. Consequently, a 95 per cent price decline over the next few years had no immediate impact on production. This "miserable market performance" (to quote Kahn) was due to imperfections and inelasticities, not to monopoly. While the nature of appropriate government intervention in such a case may be argued, the need for some policy program other than complete *laissez faire* would seem clear to most economists.

Regulation of rates charged by such different groups as employment agencies, landlords and producers of natural gas is also justified by such socially intolerable price inelasticities. The strategic position of employment agencies in the 1930s, combined with the basic bargaining weakness of their job-hunting "clients," created a potential for abuse. At least one Supreme Court Justice, in a leading case involving the regulation of employment agencies, indicated his awareness "that employment agencies. . .deal with a necessitous class, the members of which are often dependent on them for opportunity to earn a livelihood, are not free to move from place to place, and are often under exceptional

economic compulsion to accept such terms as the agencies offer."

Extreme inelasticity

A similar situation exists in the case of natural gas. Quite apart from the question of concentration, government regulation would be justified here by the unequal bargaining positions of producers and pipelines, and extreme inelasticity of supply and demand. The return permitted to pipeline buyers by the Federal Power Commission is computed as a per cent of their net investment (rate base); as investment in facilities is depreciated, this rate base inevitably declines. Only by building new facilities–which means getting more gas–can pipelines shore up their rate bases. They are, therefore, under considerable pressure to buy. Most producers of natural gas, on the other hand, derive the bulk of their revenues from oil operations. They can and do sit on gas reserves. Humble Oil Co. can forego some current gas revenue, if by doing so it can increase pressure on buyers to raise offering prices. Little wonder that the new contract price of natural gas has trebled in the postwar period, while the consumer price index rose by only 26 per cent. It is unlikely that price increases of this magnitude were regarded to call forth discovery of supplies which would not otherwise have been uncovered, while demand inelasticities–the householder is in no position to scrap his gas-burning heating equipment–insure producers of the ability to charge the rates they want. Regulation in such a situation should become, if not agreeable to producers, at least understandable.

The implications of the above remarks for many American industries must be faced. The absence of competition need not be proved in order to justify regulation. Substantial inequalities in bargaining positions, socially unacceptable price behavior rooted in inelasticities of supply or demand may also evoke regulation. This regulation may, for the time being, take the form of Kefauverish supervision of prices. Company executives already operate with the clear understanding that steel price increases will have to be explained to a Senate committee, crude oil price cuts to a state legislature and gasoline price wars to a House committee. They may lament such "interference" in a theoretically nonregulated industry, but live with it they must. The knowledge that this quasi-regulation is the inevitable consequence of inelasticities will, perhaps, enable them to resign themselves–a course to be preferred to resigning their positions–to this fate.

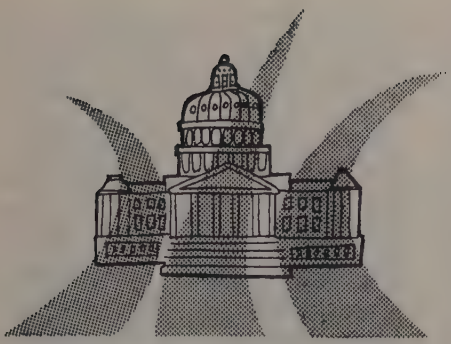
It should be emphasized that this alternative is not a terribly

far cry from the present mixed regulatory pattern. For the present, those industries being regulated on a utility-type basis will remain in that status. In fact, a realization that historical trends have tended to reduce demand inelasticities in, let us say, rail transportation, may lead to a relaxation of regulation. A broad category of industries manufacturing nonessentials–textiles, automobiles, etc.–will probably continue subject only to such pressures as result from antitrust enforcement and occasional Congressional interest in specific problems. A final group, in which there are inelasticities and inequalities of bargaining power between buyers and sellers, will face the continued scrutiny of Congressional committees and a drumfire of criticism calling for more direct regulation. Recent inquiries into drug pricing contain such potential: purchasers of drugs are unable to bargain effectively with large drug manufacturers over prices. The reasonableness of the industry's price structure, therefore, becomes an appropriate source of inquiry. The industry can do little save cooperate.

Some increased government intervention in pricing appears inevitable. Still further intervention, however, is often unwittingly invited. Thus, in requesting protective import restrictions the domestic oil producing industry brought upon itself government supervision of residual fuel oil prices. Should prices rise, quotas will presumably be increased. In the words of one high industry official, this is "very ominous" and "has all sorts of implications." By reducing the elasticity of supply, the oil industry, in effect, invited an increase in government participation in pricing. ■

Super Mail Service

WITHIN 10 years it will be possible to mail a special delivery letter in New York and expect it to reach the addressee in San Francisco two hours later. The U.S. Post Office Department has announced plans to make this possible through the use of electronic facsimile systems. The device operates like a television camera: it picks up a "picture" of the letter or printed page and beams it across the continent via wire or microwave relay and reproduces it on sensitive paper. A similar system, introduced by Western Union in December, links five major U.S. cities. Another Western Union facsimile system connects the House and Senate office buildings with the firm's Washington office. It has a top speed of 3,000 words a minute. The Post Office Department has already transmitted mail between Washington and Los Angeles on test equipment but does not expect to introduce a system for public use for at least five years.



Cooperation replaces indifference as businessmen assume more important roles in government–to the benefit of the nation

The Businessman in Government

by Lincoln Smith

■ IN THE PERSPECTIVE OF world history, the United States undoubtedly will be remembered as "the greatest business civilization." Yet, curiously enough, only since 1933 has the businessman played very much of a role in the operation of government. From the launching of the nation until the 1930s, *laissez faire* encouraged the separation of government and business. American capitalism did release to government custody a few businesses (parcel delivery, postal savings, etc.), but public and private personnel and administration remained quite distinct.

The managerial success of the American businessman has created a business and industrial impetus which continues to foster a progression of inventive genius–producing cotton gins, reapers and univacs. Yet for all of his efficiency in making America great, rich and free, the businessman, until recently, has entrusted government to lawyers, farmers and professional politicians. This pattern was characteristic of every level of government, with the possible exception of a sporadic use of the city manager plan.

But a new epoch did come. After 1933 public service became attractive to the businessman. Year after year, more businessmen entered government and politics to make public service their careers. Today these men occupy exalted and strategic positions in Congress, in posts at the administrative-policy level in the federal and state governments, in state legislatures, and in municipalities.

Franklin D. Roosevelt, seeking the best brains in America–his famous Brain Trust–soon discov-

ered that much of the talent he sought was in the executive ranks of business. Typical were the dollar-a-year men, most of whom were outstanding business magnates. A landmark was the appointment of Joseph P. Kennedy to the new Securities and Exchange Commission in 1934; another was that of Sumner T. Pike to the SEC in 1940 and later to the Atomic Energy Commission. President Truman aided the trend after the war, while the Eisenhower Administration has been termed a Who's Who in Business. Several studies by the writer in the last decade on cultural training of selected national and state agencies, contrasted with others a quarter of a century ago, indicated a marked shift away from attorneys to men of general business and cognate fields as the emerging choice for top personnel.

Countertrend

There is, of course, a countertrend–some men are leaving government for higher salaries in free enterprise. A report circulated early in 1959 claimed nobody wanted a Washington job, and that the flow of business executives thither had all but ceased. The eclipse was temporary, however, and normalcy seems about restored. In state and local governments, greater opportunities for business talents have attracted businessmen at a more constant rate. Regardless of the political party in power, more business executives are staying in government longer than heretofore.

In the old days, (the Harding and Coolidge eras, for example), our government occasionally gave lip service to business administrations. President Coolidge often asked the Chamber of Commerce to recommend business leaders for public posts, but they were reluctant to accept. Marginal businessmen were interested–but not many successful ones.

When business executives did go into government, they often acted as protagonists of business in public capacities. Much of the early hostility to businessmen in government stemmed from the feeling that business tried to promote its own interests instead of public needs. Confidence in corporate magnanimity was limited.

Businessmen, too, had valid reasons for keeping out of government. Government prestige then was low, as were salaries. Public employment subjected able men to publicity, "red tape," and political abuse. The uncertainties of political appointments did not appeal to well-established business careers. Preoccupied with making money and creating status for themselves and their families, many businessmen shunned public service.

Both fundamental and ancillary reasons account for the new phenomena of businessmen in govern-

ment. Aiding the change were two dynamic and coextensive factors and their mutual influence on each other: (1) changes in the concept of government, and (2) changes and reactions in business philosophies. From 1933 onward, legislatures, often under business aegis, were forced to interfere with large segments of the economy at all levels; business helped to draft much of the legislation. Positive government with stringent regulatory powers was invoked. Many legal strait jackets were discarded in favor of wide and specialized discretion delegated to responsible government agents. Indeed, administration under law has become an essence of the modern democratic state.

Broad-minded citizens

Needed were administrators temperamentally able to cast aside most of their previous predilections and resolve important public questions equitably. Businessmen wanting to inject their own prejudices into composite administrative judgment were no longer acceptable. The posts had to be filled by broad-minded citizens capable of making policy decisions and reconciling the demands of government, business, stockholders, employees, consumers and the general public. The search for certain economic skills showed that business administrators and counsel to business firms had a virtual monoply of the prerequisites. In the screening process, government drew a sharp line between men of talent who were successful in business and successful businesses which made their leaders appear talented. Government sought the former, realizing that these men could make worthwhile contributions in either public or private milieu.

To tap the source of supply, government offered appropriate motivation. Positions of power for men of high attainments increased the prestige of government work. Salaries were raised; terms of office usually lengthened. Since the new public regulation of business brings corporate management into the realm of public accountability, most business executives now are as subject to publicity as government officials.

Many businessmen today accept temporary public employment, since society recognizes a growing interchangeability of roles between government and private enterprise Indicative is a requirement for certain public positions in the State of Maine: "Considerable knowledge of the principles and practices of business administration as applied in the public service." When able men with trained minds conduct themselves judiciously–neither hostile to nor champions of government or business–employment opportunities multiply. Often both

sides gain when men of character and integrity, like David E. Lilienthal, serve in tandem capacities.

Of great influence in this trend is the political philosophy that government must curb excesses and assume a positive role in business to promote public interest. Both sides must show common areas of agreement. President Eisenhower's partnership policy of power and resource development is illustrative of this vein of thought. Both private industry and government are experimenting with atomic energy for industrial power.

Finally, business genius got out of its shell. Many American business leaders showed greater concern for the general welfare as they shifted from the "classical" to the "managerial" version of competitive capitalism. Whereas free enterprise previously was characterized by a willingness to take risks, the managerial system is devoted to a quest for stability. Likewise, a multiprofit order emerged with benefits apportioned among capital, labor, consumers and others.

Business school curricula now present enterprise in terms of their relationship to government. No longer does legal training have a monopoly, as it were, on education for affairs of state. Future businessmen become acquainted with responsibilities of government as well as those of private industry. The old idea that successful business executives perform all important tasks is now a sign of weakness. Efficient administration now calls for delegation of powers. With the advent of the managerial revolution, business colleges stress administration. Top businessmen often act more as managers, selecting reliable subordinates and vesting in them limited responsibility for segments of work.

Note of caution

But several notes of caution are in order. It is always a matter of making the right choices when businessmen are hired for government, because men of weak character could indulge in unethical practices immune to legislation. High-salaried business executives who accept less lucrative government positions are vulnerable to an attitude that they are doing the public a favor. Others may seek public employment to show how a practical man can surpass a bureaucrat. These categories may produce aggressive executives who are out of place on a quasi-judicial tribunal. Then there is the danger that unwise selection will result in the prosecution of public trusts with ruthless and soulless efficiency, regardless of democratic or spiritual values. Some businessmen think of government in terms of bookkeeping profit or loss. Yet the unmistakable efforts to humanize busi-

ness show more moral responsibility than we find in most political bureaucrats.

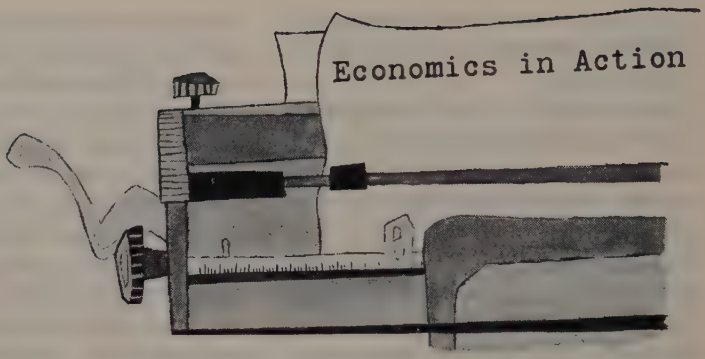
A more incisive peril centers on democratic collectivism. The American businessman is determined to sustain free enterprise and government by consent in the world community. Profit is a secret to his business efficiency. Complete substitution of the service motive, therefore, is likely to advance inefficiency or mediocrity, as in our civil service, for example. A critical role of business outside of government has been one of our best guarantees against creeping socialism.

But if businessmen are transformed to bureaucrats imbued with a thirst for administrative expansion, government may undertake too much nationalization of industries in the name of a business trend. Criticism from without will keep business on its guard against proliferation of public enterprise. The fact that only a fraction of businessmen enter public service probably keeps business alert to the risk. To date, only in local government has there been much government ownership and operation.

If we are to match totalitarian unity of purpose, our biggest weapon is the efficiency of business. The Berlin Airlift, for example, showed how American managerial talent could face down Soviet blusters. Then again, American transportation genius has established on logistical lines a system which is a wonder of the modern world. Private enterprise, in short, brings forth our best capacities regardless of political favor. We know these men are good, because they have survived the rigors of competition. The Soviet system cannot produce the staying qualities of this type of competence, because it is capricious and conforms to political lines and power politics. The management of the great forces being uncovered are much better entrusted to competent hands of prudent managers and industrialists than to political opportunists. Our art of administration now is both materialistic and realistic; yet idealistic in its goals. The government-business entente combines business efficiency and its gigantic achievements with our political ingenuity into an indigenous and peerless American team. ■

Financing the Highways

IN THE LAST 10 years, combined federal and state gasoline taxes have increased more than 54 per cent, according to Tax Foundation, Inc. Since 1941, state gasoline tax receipts alone have tripled. Combined federal and state gasoline taxes brought in $1 billion in 1939, $2 billion in 1949 and more than $4 billion in 1958.



Congress convenes

The next session of Congress is faced with several issues of national and international importance. Action on these questions will undoubtedly be influenced by the fact that this is a Presidential election year and four U.S. Senators are considered to be candidates for the Democratic nomination. Among the more vital issues are farm policy, labor, foreign aid, the tax structure and the U.S. balance of payments.

the steel strike

The most immediate problem facing the new Con- gress will, of course, be the steel impasse. If the negotiators fail to reach a settlement by the time the injunction expires on January 26, the President is required by the Taft-Hartley Act to submit his own recommendations to Congress. These recommendations are not expected to encompass anything as drastic as government seizure of the steel mills or compulsory arbitration. This would be alien to the President's policy of avoiding direct government intervention in the collective bargaining process. He will probably ask Congress to enjoin the strike permanently. The legislators will undoubtedly go along with this or any other Administration proposal, although they will be under heavy election-year pressure from labor to oppose any plan that would deprive the unions of the strike weapon. The absence of a steel settlement and the imminence of a railroad strike will also increase Congressional

sentiment for a more stringent labor bill than last session's Landrum-Griffin Act.

consumer price rise

Even with tight-money rates and the steel strike, the Consumer Price Index reached a new high of 125.5 (1947-49 average = 100) in October, the sixth rise in seven months. As was the case during the past year, the rise could not be blamed on food costs. In fact, food prices declined by 0.3 per cent during October. The drop in food prices was offset by rises in almost every other major group of goods and services. The latest increase in the Index will mean an increase in wages for about 1,250,000 workers who have escalator clauses in their contracts. This does not augur well for price stability in 1960. Despite the anti-inflationary policies of the Federal Reserve Board and a concerted effort by the Administration to balance the "big" budget for fiscal 1961, a steel settlement will undoubtedly unleash a new inflationary spiral.

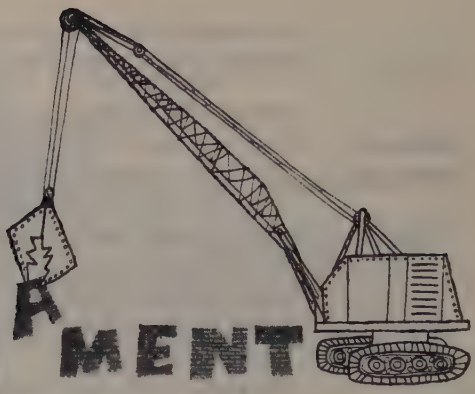
retail sales

Retail sales in October reached $18.3 billion on a seasonally adjusted basis, a 7.8 per cent gain over last year. Despite factors which would normally militate against a rise, i.e., the strike and its resultant layoffs, retail sales for the first 10 months of 1959 totaled $179.9 billion, nine per cent over 1958. At that rate, 1959 sales will be well over $200 billion, a new all-time record. This will be attained even though durable goods sales leveled off toward the end of the year because of automobile shortages caused by the steel strike. This slack was taken up by record-breaking Christmas business.

the 1960 outlook

The economic outlook for 1960, assuming settle- ment of both the steel and railroad labor disputes, is one of high prosperity with increasing inflationary pressures. Although there will still be pockets of unemployment and a lag in new construction because of high interest rates, 1960 should be the most prosperous year in our history, with GNP reaching an all-time high of $500 billion. ■

we can afford DISARMAMENT



—if we make the right political decisions

by Klaus Knorr

■ DISARMAMENT NEGOTIATIONS between the United States and the Soviet Union have renewed anxieties as to what the consequences of an arms agreement would be for the American economy.

The Communists have long proclaimed that military expenditures are staving off the collapse of capitalism and that modern arms races are generated by the exigencies of this economic system. But there are also many non-Communists who doubt the viability of the American economy if defense expenditures are eliminated. For example, news suggesting a lessening of cold war tensions is apt to send prices down on the New York Stock Exchange.

This anxiety is undoubtedly real. These people believe that if we have a complete and abrupt cessation of defense expenditures, private and other public expenditures will not expand sufficiently to prevent a deep and prolonged depression with large-scale unemployment. Also, they argue, a sharp fluctuation in aggregate expenditures is bound to retard our economic growth rate.

But there is another more optimistic school of thought which believes that there is no basic problem. These optimists point to other public expenditures which could be increased sufficiently to keep aggregate expenditures high enough to insure full employment. Public outlays could be increased for housing, education, health, transportation and the conservation of natural resources. Another possibility

for increased expenditures is the exploration of outer space.

They recall President Eisenhower's speech of April 16, 1953, in which he proposed that a substantial proportion of the savings resulting from internationally supervised disarmament be devoted to a fund to assist the underdeveloped countries. Some economists have estimated the capital needs of these countries to be as high as $30 billion per year.

Although these optimists grant that there may be a short-run problem of adjustment to peacetime expenditures, they point to the ease with which we adapted ourselves to large cuts in defense expenditures after World War II and after the Korean war.

The skeptics, on the other hand, say that any increase in nonmilitary spending requires public decisions. And history does not suggest that Congress, or the public, would be as eager to finance nondefense expenditures as it is to provide for military security. Thus, the skeptics doubt that the United States would vastly increase its foreign aid programs even if defense outlays were eliminated. They expect that the pace of outer space exploration–which is now in large part motivated by military considerations–will probably slacken in the event of disarmament. They point out that in our last experience with major disarmament after World War II, there was a huge volume of pent-up demand for private consumption and investment. After the Korean war, however, the United States experienced a business recession, even though defense outlays were cut by less than 20 per cent.

This dialogue, between those who fear the economic consequences of disarmament and those who do not, is destined to be inconclusive, since it is based on assumptions which are insufficiently realistic.

For one thing, complete and general disarmament is a rather unlikely prospect. In any case, such disarmament could come about only after painstaking and no doubt very protracted negotiations, because the West would rightly insist on a degree of international inspection which would be difficult for the Communist countries to accept. And if an agreement were reached, it would certainly specify a gradual, step-by-step, internationally controlled implementation. For this reason alone, an abrupt stoppage of defense expenditures is improbable.

Moreover, the creation of a vast international inspection system might call for substantial research and development, and would require large expenditures for procurement, training and maintenance. Most likely, countries would be permitted to maintain some

kind of security force, and it is not impossible that international security forces would be maintained under the United Nations. Some American programs that are now included in national defense expenditures–such as foreign military assistance and atomic energy–might well continue, at least in part. In order to protect ourselves against a possible violator of the disarmament agreements, we might even want to maintain or increase expenditures on civil defense.

Manageable task

It seems reasonable to assume, therefore, that–with current defense expenditures approximating 10 per cent of the gross national product–security expenditures would be unlikely to decline gradually beyond a level of four per cent. In the current context, this would mean a cut of $25 billion, surely not a huge amount.

Thus disarmament, if it occurs, should not present the United States with formidable economic difficulties. To make a shift in expenditures–involving around five or six per cent of the gross national product–from one purpose, national security, to a great many others is a manageable task. Disarmament would still leave us with the East-West conflict, with its pressures of peaceful coexistence, which to Soviet leaders means intensive rivalry by all except military means. The Kremlin would still attempt to upset the world balance of power in its favor.

Indeed, the cold war might well become more strenuous. Since we would be devoting less of our resources to defense, the United States would be under strong pressures to increase its economic aid to less-developed countries.

Should national security spending drop, it is reasonable to expect substantial increases in the proportion of GNP devoted to other public purposes by federal, state and local authorities. A population which is growing in numbers and riches is generating a growing need for more educational and health facilities, for highway and air transportation, for the elimination of residential slums and for the development of more facilities for outdoor recreation. During the 1950s, these needs have been slighted precisely because of the overriding necessity to spend more on national security.

In an age given to rapid and systematic scientific and technological progress, business does not have sufficient incentives, and the universities do not have sufficient means, to sustain an adequate level and pattern of research, including basic research. A substantial proportion of the federal funds now spent on military research and development should, and probably would, be retained for supporting nonmilitary research.

Finally, any cutback in federal taxation–which would be likely on political grounds, but could not be very large for the reasons indicated –would surely result in increased private consumption and investment without affecting the rate of private saving. And if–as seems probable–other public outlays offset the larger proportion of the reduction in defense outlays, disarmament should not render the American economy less stable than it has been during the 1950s, and should not reduce its average rate of growth.

Problem of transition

However, although basic adjustment to disarmament would be manageable, we would still have the short-run problem of a smooth transition. This transitional problem is twofold. There is, first, the need for maintaining aggregate expenditures in the economy exactly when and as defense expenditures are cut back, since even a small decline in over-all spending entails strong and cumulative deflationary effects. And there is, second, the problem of distress in particular industries and localities heavily engaged in defense production.

Even these problems are of manageable proportions if, as we have argued, the cut in defense expenditures is relatively moderate and occurs gradually.

It is clear, however, that adjustment–including its timing–would demand a multitude of public decisions which not only must be reached on the basis of a wise choice among many possibilities, but also must in the end be concerted in a way to keep a spending gap from opening up. In order to make for a smooth adjustment, the federal government especially must be prepared to act with dispatch and consistency. This, in turn, calls for public policies to be formulated, and legislative action to be taken, in *advance* of any sizable cuts in defense spending.

Thus, we can see that the problem is not as grave as it is widely assumed. Given wise public policies, there is no reason why the United States cannot remain continually prosperous in the face of a diminution of armaments expenditures. ■

New Twist in Labor-Management Relations

MEMBERS OF the United Hatters, Cap & Millinery Workers Union are bargaining with themselves (the Union owns the Merrimac Hat Company) in order to obtain a 9 per cent wage hike, a retirement plan and other benefits from Merrimac. The president of the international union sits, figuratively, on both sides of the bargaining table at once–he is also chairman of Merrimac's board of directors.

THE PERMANENT FRONTIER

No. 21: the Great Depression of the 1930s marks one of the important turning points in American economic history

This is not a cycle of hard times from which we shall return to build bigger panics. . .This is not a breakage to be patched up so that we can resume our reckless course again. This is the ending of an Era.

–HENRY FORD

■ WHILE BITTER partisan controversy still rages over the political and economic consequences of the Great Depression, no one denies that it marked a major turning point in American economic history. The economic forces which had generated recovery during the prolonged depressions of 1873 and 1893 no longer operated. Adjusting to this fact was a humorless, slow and painful process. No internal crisis since the Civil War so profoundly shook the structure of American life.

From the time of the Great Crash until the start of World War II, the nation suffered from a period of prolonged economic stagnation unparalleled in its history. Between 1930 and 1940, unemployment fell below eight million in only one year, 1937. At least 13 million were without jobs in 1933; five years later, one of every five in the labor force still looked for work. Ten years after the crash, in October, 1939, *Fortune* magazine observed: "For nearly one-fourth of the population there is no economic system–and from the rest there is no answer."

The economic magnitude of the depression can be seen in many ways:

•The *industrial production index* (1947-49=100) fell from 59 in 1929 to 31 in 1932. It rose to 61 in 1937 and dropped to 48 in 1938.

•The *farm price index* (1909-14=100) fell from 147 in January,

This is the 21st article of a series in CHALLENGE which deals with the history and development of the United States economy.

1929 to 57 in February, 1933. It climbed back to 131 in 1937. The next year it stood at 100.

•*Gross national product* (1947 dollars) fell from $149.3 billion in 1929 to $107.6 billion in 1932. By 1937 it was up to $153.5 billion, but in 1938 it was at $145.9 billion.

But even these figures mask significant aspects of the decline. Durable-goods output, for example, fell much more sharply than nondurables. Durables dropped from 60 in 1929 (1947-49=100) to 15 in 1933, or fully 75 per cent. Nondurables fell from 56 to 42. Business cut purchases of capital equipment by 50 per cent and industrial and commercial construction by 70 per cent.

And the recovery after 1933 was uneven. Though GNP in late 1937 stood at five per cent above the mid-1929 level, it was no sign of true recovery. Labor productivity had risen sharply in these years. The national labor force, moreover, had increased from 49.4 million in 1929 to 55 million in 1938. Considering these changes, GNP should have been at least 25 or 30 per cent higher for a full use of the nation's productive resources. At least seven million persons were without jobs in 1937. Millions of others worked short time.

The actual *economic cost* of the depression is difficult to calculate. In 1938 Isador Lubin, assuming that the total amount of salaries and wages paid out in 1929 remained constant, figured that workers lost $119 billion, farmers $33.4 billion and investors $20.1 billion. The forfeited national income came to $1,000 per capita. Allowing for no population increase, Lubin calculated a loss of 43.4 *million* man-years of employment.

A closer look reveals much about the cumulative economic, social and personal consequences of the depression years.

By 1932, 85,000 businesses had failed. Though certain heavily concentrated industries maintained prices by sharply cutting production in the face of falling demand, corporate profits, on the whole, fell sharply. In 1932, the total corporate deficit was $3 billion. The banking system tottered. The nation's banks held 25 per cent of their assets in security loans and another 10 per cent in real estate loans. When both of these markets collapsed (the value of securities on the New York Stock Exchange fell more than 50 per cent by 1931), the banking structure weakened. International difficulties that stimulated the outward flow of gold reserves added new troubles, while runs on banks led to three waves of bank failures.

The investment climate dried up. Bank loans fell from $36 billion in 1929 to less than $22 billion in 1932, in spite of government efforts to stimulate loans by increasing open-market purchases and re-

ducing reserve requirements. About the only consequence of the Federal Reserve policy was the increase in excess reserves in member banks.

Farmers were in dire straits as their production increased, while international and national markets faltered. In three years the average price of corn fell from 77 cents a bushel to 19 cents. Average net farm income dropped from $962 in 1929 to $288 in 1932. Farmers with fixed debts were in trouble. In early 1933, 52 per cent of the farm debt was in default. On one day in April, 1932, a Mississippi sheriff sold 25 per cent of that state's land for satisfaction of back taxes and mortgages.

Unprepared

Production and employment in the industrial sector sagged badly. Auto production fell from 4.6 million units in 1929 to 1.1 million in 1932. In Donora, Pa., 277 out of 13,900 workers held down regular jobs. Real wages dropped only 10 to 12 per cent between 1929 and 1932, but these figures offered little solace to the millions of unemployed and underemployed workers.

The social and personal consequences of the crisis were magnified many times because the nation was institutionally and psychologically unprepared for the disaster. As income fell, state and local revenue also dropped. The effects were manifold. Atlantic City, N.J., courts suspended civil suits for lack of funds to pay jurors. Some cities used scrip to pay their employees. Los Angeles put the municipal zoo up for public auction. More seriously, education suffered as some states shortened the school term, and all states except Rhode Island cut teachers' salaries.

Neither public nor private agencies were equipped to handle the massive problem of human relief. Except for New York and a few other states, little was done on this level. When Detroit borrowed relief funds from the auto companies, not more than five cents a day was alloted to anyone on relief. It was not surprising that 20,000 Gary, Ind., families raised food on lots lent them by the city government. In 1932, more than 100 cities had no relief appropriation whatever.

The effects were not unexpected. The marriage rate dropped 30 per cent between 1929 and 1932, and the birth rate fell from 19 to 17.4 per 1,000. Breadlines and soup kitchens became more important. Dramatic signs of social dislocation, such as the Farm Holiday movement in the Midwest and the Bonus March in Washington in 1932, attracted nationwide attention. "The great knife of the depression had cut down impartially through the entire population cleaving open lives and hopes of

rich as well as poor," Robert and Helen Lynd wrote of *Middletown* in these years. "The experience has been more nearly universal than any prolonged recent emotional experience in the city's history; it has approached in its elemental shock the primary experiences of birth and death."

Wave of agitation

Analyzing the wave of agitation that swept the country, historian Arthur Link wrote: "These protests and proposals were, of course, more a reflection of the important ideological upheaval that was transforming popular attitudes toward government and the economy than manifestations of outright social disorder."

These changes, in part, can be seen in the reflections of important conservative spokesmen of that era. In 1929, for example, *The New York Times* insisted that "the fundamental prescriptions for recovery" were "such homely things as savings, retrenchment, prudence and hopeful waiting for the turn." "Just grin," said steel executive Charles Schwab, "keep on working." Andrew Mellon, Secretary of the Treasury, advised a ruthless cycle of bankruptcy and deflation. In June, 1930, Franklin D. Roosevelt, Governor of New York, condemned the Hoover Administration for trying to violate the "natural" laws of economics. That same year, the president of the National Association of Manufacturers insisted that "crime" was the nation's major problem.

Faith in *laissez faire* and the "natural" laws of economics melted somewhat as the depression worsened. Business turned more and more to the government. "I'm afraid," Schwab now admitted, "every man is afraid. I don't know, we don't know, whether the values we have are going to be real next month or not." Walter Teagle, president of Standard Oil (N.J.), urged that the government revise the antitrust laws to permit business to adjust production to demand. Men like Bernard Baruch and Gerard Swope, president of General Electric, as well as head of the Chamber of Commerce, talked of business planning through a national trade association and urged government cooperation in such an endeavor. In November, 1931, President Hoover revealingly complained: "After a few weeks of enterprising courage, the bankers' National Credit Association became ultraconservative, then fearful, and finally died. It has not exerted anything like its full strength. *Its members–and the business world–threw up their hands and asked for governmental action.*"

Hoover's antidepression program should be measured in light of these developments. In the early

months of the depression, Hoover reflected the thinking of most businessmen and political leaders: "The fundamental business of this country, that is, production and distribution of commodities, is on a sound and prosperous basis."

The President believed, as did most political leaders, that the existence of a free society was threatened by direct government intervention in its economic life. He believed that unemployment could be solved by letting wages drop to their natural market levels. The economy would only spring back to life after a severe deflation.

Indirect measures

This did not mean, however, that the President opposed indirect measures to alleviate the situation. He encouraged the Federal Reserve Board to loosen credit and make federal loans available to farmers. He sponsored the Reconstruction Finance Corporation, which was considered a radical innovation, to make federal loans to hard-pressed banks and businesses. Early in 1930, at Hoover's recommendation, Congress appropriated $60 million for Boulder Dam; $75 million for highways; $500 million for public works; and $150 million for rivers and harbors.

However, the President still steadfastly refused, as a matter of principle, to make federal funds available to individuals in economic straits. He opposed unemployment compensation as being a dole, and felt that crop supports and a federal land-use revision program violated the tenets of American individualism.

In evaluating his actions, Hoover must be judged in the context of his times. Democratic leaders, including Roosevelt, were no more willing to tamper with our economic system than was the President. In fact, the Democrats severely chastized Hoover for spending too much money and not balancing the budget.

Today, both major political parties agree that the answer to recessions is not to let deflation run its course. Even supposing that this might eventually work, the human cost is too high, economically undesirable and politically impractical. ■

NEXT MONTH: the New Deal

by William E. Hendrix

Part-time Farmers

An increasing proportion of the farmer's income is being derived from nonagricultural sources—in spite of high price supports

■ THE AMERICAN FARMER has, in varying degrees, always been dependent on outside nonfarm sources of income. Since the end of World War II, however, his dependence on income from nonagricultural sources has been increasing rapidly.

In 1949, farm families derived about one-fourth of their income from nonfarm sources, whereas in the past four years income from nonfarm sources has averaged about one-third. If it were not for the 1957-58 recession, which decreased the availability of nonfarm jobs, this average might have been even higher.

Part of this nonfarm income was derived from nonfarm investments and from social security and pension programs. The largest proportion, however, consisted of earnings from part-time nonfarm jobs held by farmers and their families.

This holding of part-time jobs off the farm has been fairly common in American agriculture for a long time. In the last few decades, however, this trend has been increasing at a rapid rate. In 1939, less than one in six farmers worked off their farms 100 days or more, compared with one in four in 1949 and three in 10 in 1954.

The increase in nonagricultural employment among farmers has helped to alleviate poverty in some of the poorest rural districts, but it has contributed little to the alleviation of the major economic problems of American agriculture; excess production and low per capita income.

In fact, neither this part-time nonfarm work nor the number of farmers giving up agriculture completely has been sufficient to keep the major economic problems of farmers from growing more acute. These growing economic problems, which are becoming increasingly evident, have been partly obscured by our price-support, storage and foreign surplus-disposal programs.

Varied factors

Many factors have contributed to this trend toward a combination of farm and nonfarm employment. The most important of these have been (1) improvement in rural roads and transportation facilities; (2) development of new industries in agricultural areas; and (3) a surplus of farm labor due to increased mechanization.

The importance of income from nonagricultural sources has increased among all sectors of American agriculture. However, since the factors contributing to this trend vary among regions and individual farm families, there is also a wide variance in the degree and type of nonfarm employment.

As one would expect, nonagricultural employment among farmers is most widespread in localities that have many small cities with nonfarm industries, such as in the industrial Northeast, the Southern Piedmont and the industrial Southwest, or in the mining areas of the West and the Southern Appalachians. In highly productive farm areas such as Iowa and Illinois, and in marginal farming sections with little industry such as Mississippi, this type of employment is of little significance.

What kind of farm families are most likely to have nonfarm jobs? In the nation as a whole, and in each major region, farming is most frequently combined with nonfarm employment by persons on small marginal farms. For example, in 1949, 90 per cent of the farm families reporting nonfarm incomes of $500 or more were families producing less than $5,000 worth of farm products for market. Nearly 70 per cent of these had farm product sales of less than $1,200.

Another characteristic of the farmer who holds a part-time nonfarm job is that a much smaller percentage of Negro than white farmers are thus employed. In the South, in 1954, only one in six Negro farmers worked off their farms 100 days or more compared with one in three white farmers. This difference is partly due to the fact that most Negro farmers are concentrated in areas having very little nonagricultural employment. It is also a result of the lower educational and older age level of the nonwhites. The high rate of migration of younger Negroes from the South accounts for the large percentage of older persons in the non-

white population in the South. In addition, the lower incidence of nonfarm jobs among Negro farmers is due to the discrimination against the employment of Negroes which exists in many nonfarm occupations.

Of the nation's 2,154,000 farmers who worked off their farms in 1954, nearly half were employed 200 days or more. About one-fourth worked fewer than 50 days. Information on the amount of farm work done by other family members is not available. However, studies by the U.S. Department of Agriculture in low-income farming areas of the South indicate that nonfarm earnings of other family members represent important contributions to total family income.

The part-time employment of farmers in nonagricultural pursuits has often resulted in the abandonment of farming by these individuals. In fact, it was from farms that much of the labor needed in the early stages of the nation's industrialization was recruited. Such a diversion of farm labor to industry is badly needed now to improve the farmer's income and to achieve a more efficient use of the nation's manpower.

Changes in character

Although there are no available statistics on just how many farmers working at nonfarm jobs eventually leave farming altogether, we can assume that many do. In fact, as they gain experience and improve their skills in nonfarm work, they frequently not only quit farming but move into urban areas where they are able to command higher wages. This tendency to quit farming and move to urban areas is particularly evident among Southern tenant farmers who have greater difficulty in keeping their farms as rural residences.

The growth in nonfarm employment among farmers has led to striking changes in the social and economic character of many once predominantly rural communities. It has also altered many of the attitudes and value patterns long associated with rural living. Through its effects on the uses and productivity of both land and human resources, nonfarm employment is helping not only to improve the income and alter the spending and living patterns of farmers, but also to change many features of the rural landscape. It has also created a need for changes in government agricultural policies and programs which, for the most part, have not taken this phenomenon into account. These programs, which are designed to compensate for the farmer's relative loss of purchasing power and give him parity with other sectors of the economy, should be re-examined in the light of the farmer's lessened dependence on supported crops.

The fact that an increasing proportion of the farmer's income is derived from nonagricultural sources does not necessarily mean that he no longer has a relatively low income. In fact, the per capita net income of farm people was only $967 in 1957 compared with $2,082 for the nation's nonfarm population. But the opening of nonagricultural job opportunities is helping many of the nation's low-income farmers to make substantial improvements in their standard of living. This is particularly true in farm areas that have long had a labor surplus. There farmers have found it possible to take a nonfarm job while continuing to farm on as large a scale as they have always done.

For example, in a recent study of industrialization in a rural Louisiana community, it was found that more than two-thirds of the farmers in nonfarm jobs had no thought of changing their farming operations. Only one in 36 of these individuals planned to give up farming altogether, while five in 36 planned to increase the size of their farms.

In our economy as a whole, it has generally been found that most individuals who hold two jobs do not receive large earnings from either. This has usually been the case with farmers who hold nonfarm jobs. In fact, a recent study of part-time farm families in Mississippi concluded that, in many cases, farming operations were a losing proposition and that many families would have been better off if they had considered their farms as rural residences and given up farming entirely. A study of the operations of farmers who borrowed from the Farmer's Home Administration indicated that while the combination of a low-wage job and a farm of inadequate size usually yields an income larger than either alone, a well-equipped and well-managed farm of reasonable size operated on a full-time basis usually provided a larger income than the two combined.

Rural landscape

There is little doubt that the growth of nonagricultural job opportunities in the nation's poorer rural areas is raising income levels in these regions. The growth of such industry, however, has sometimes made conditions worse for farmers who, because of their age, low level of schooling or physical condition, are unable to obtain such employment. This has been particularly true of tenant farmers who find the supply of agricultural land diminishing rapidly because of the growing demand for land as space on which to live.

Another disturbing aspect of the growth of industry in rural areas has been the haphazard development of new rural housing, facto-

ries and gasoline stations in a once well-ordered rural landscape. This has created a demand for zoning and land use ordinances in many rural localities similar to the ones existing in most urban areas.

The tremendous growth in the farmer's income from nonagricultural sources has done very little to alleviate the basic problem of overproduction. This is not surprising since it is mainly the nation's low-production farmers who have taken part-time jobs in industry. The principal benefit of this shift has been to raise incomes in some of the nation's poorest agricultural areas, which often are the poorest areas in the nation. The federal government is trying to increase these benefits by using its Rural Development Program to promote rural industry as well as to improve agriculture.

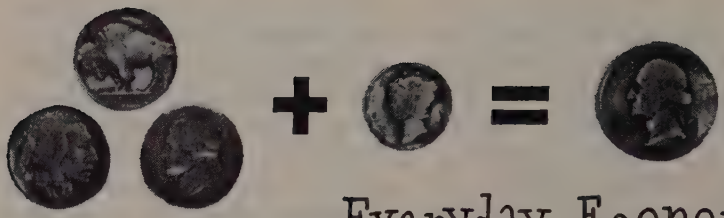
The solution to the problem of burgeoning farm surpluses is really the same as that which is helping to alleviate the problem of rural poverty: namely, the transfer of more farmers into the nonfarm economy. The basic requirement for achieving this transfer at a high enough rate to solve the problem of surpluses and rural poverty is a higher national economic growth rate. This growth must be sufficient to absorb the present underemployment in both the farm and nonfarm sectors and to maintain full employment in the face of automation and rapid population growth. Full employment is defined here as the optimum allocation of the nation's labor resources and not merely as the absence of extensive unemployment.

Our major farm problems have become so closely related to the rate of economic growth, the level of employment and wage and price stability in the whole economy, that American farm policy needs to be developed as an integral part of the nation's economic policy, and not merely as a special industry program. When those who shape foreign policy realize this, it will be a happier day for the taxpayers, the consumers and the farmers themselves. ■

Answers to Challenge Quiz

(see page 79)

(1) True *(see page 9)*
(2) False *(see page 13)*
(3) True *(see page 71)*
(4) False *(see page 56)*
(5) True *(see page 68)*
(6) False *(see page 63)*
(7) False *(see page 41)*
(8) True *(see page 38)*
(9) False *(see page 53)*
(10) True *(see page 45)*



Everyday Economics

■ NEW YEAR'S RESOLUTIONS may not be necessary for everyone, but some matters should be checked periodically, even by those who are not committed to a formal list:

- Inventory of home furnishings and property to determine if current fire and personal property insurance coverage would pay for total loss at 1960 prices.
- Investigation of the back recesses of desk drawers and cabinets to uncover items that should be kept in the safe deposit box (deeds, certificates, records, etc.). A safe deposit box costs less than $10 a year.
- Written request to the Social Security Administration for an account record so that errors can be discovered and corrected within the three-year time limit.
- Complete physical check-up if none was undergone in the past year.
- A review of your will to determine if new provisions should be included.

Free move, but . . .

A RECENTLY hired employee whose new firm agrees to pay for his moving expenses must pay federal income tax on the cost of the move. The Internal Revenue Board recently ruled that such payments, whether made directly to the moving company, or given as an allowance or reimbursement to the employee, are taxable *wages* to the employee and therefore subject to withholding tax. Moving expenses are considered *personal and nondeductible* expenses to the employee.

Canadian shopping spree

AMERICAN tourists in Canada will be able to shop in special stores for duty-free items from all over the world. The stores, patterned after duty-free shops on board ship, and at international airports, will con-

sist of showrooms, where samples can be examined, and bonded warehouses. Canadians may not shop in the stores because prices will not include Canadian tariffs. After purchase the merchandise is sent directly to the tourist's home. The first shop, planned to begin sales in 1960, will be located on Hill Island in the St. Lawrence River. An American may bring back, duty-free, goods valued at up to $200 after a 48-hour stay in Canada. After a visit of 12 days or more, he may bring back $500 worth of duty-free goods.

Jet-age troubles?

PROPERTY DAMAGE caused by "sonic boom" (the blast caused by a jet aircraft when it exceeds the speed of sound) may be deducted as a casualty loss on federal income tax returns. The property owner must be able to prove that sonic boom caused the damage (a broken picture window, for example) and not some other occurrence.

Only for the very young

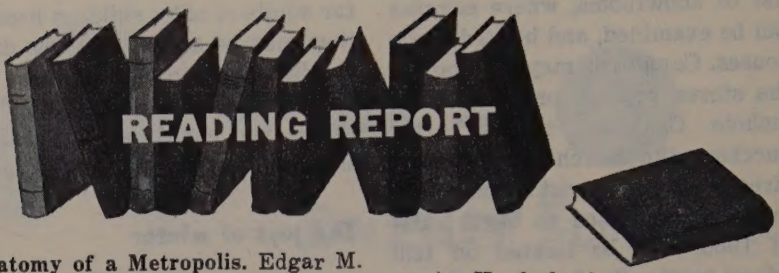
THE four-in-one vaccine licensed by the U.S. Public Health Service to immunize preschool children against polio, whooping cough, diphtheria and tetanus is not suitable for adults or older children because they may be sensitive to the diphtheria toxoid in full dosage. The vaccine may be administered to babies two months of age and up and continued with booster doses.

The joys of winter

THIS YEAR, ski resort proprietors are offering inducements to non-skiers so that their lodges will be full even if ski conditions are not perfect. With everything from dog sleds to toboggans and ice skating rinks, there will be something for everyone. Some lodges have a family plan which makes it possible for city children to enjoy a weekend of old-fashioned winter sports.

Job for an expert

WHEN selecting the person to be responsible for administering a will, three important considerations must be kept in mind: he should be continuously available, thoroughly experienced and financially responsible (many executor's tasks require expert knowledge of accounting methods and tax laws). If a relative has been selected to administer the will, it is usually advisable to have him serve as coexecutor with your bank.–S. T.



Anatomy of a Metropolis. Edgar M. Hoover and Raymond Vernon. 345 pp. Cambridge: Harvard University Press. $6.00.

•What will the nation's largest and richest metropolitan area, New York City and its environs, be like 25 years hence? In this highly detailed study of the economy, demography and transportation problems of the 22 counties of the New York metropolitan region, Hoover and Vernon conclude that the four core boroughs (Manhattan, Brooklyn, Bronx, Queens) of New York City and Hudson County, N.J., will ultimately decline in population and job opportunities. However, they envisage tremendous growth in such suburban areas as Suffolk and Richmond Counties in New York, and Monmouth County, N.J. The familiar problems of crowded highways and outmoded rail facilities should not impede the growth of these counties because of their lessening dependence on New York for job opportunities.

* * *

The Question of National Defense. Oskar Morgenstern. 306 pp. New York: Random House. $3.95.

•Morgenstern's Spengler-like pessimism, while it may be a bit extreme, is a welcome antidote to complacency about our defenses. The author strongly believes that our present defense structure is totally inadequate. He feels that our land-based Strategic Air Command is obsolete and highly vulnerable to surprise attack. Another drawback is that enemy attempts to destroy SAC will draw the heaviest fire to the American continent as well as to the countries of our allies. Morgenstern's solution is a widely dispersed fleet of missile submarines.

The author believes that another dismal failure is our reluctance to provide fall-out shelters for the civilian population. While our cities would undoubtedly be destroyed by a nuclear attack, a large proportion of the rural populace could be saved.

Morgenstern's final pessimism is his belief in the futility of having written this book. It is to be hoped that this pessimism is ill-founded.

* * *

Let's Take Stock. Don G. Campbell. 158 pp. New York: Bobbs-Merrill. $2.50.

•An eminently entertaining, as well as informative, explanation of the hows and whys of the stock market, this book is not for the man who is a fixture in the office of his favorite broker–nor did the author intend it to be. Campbell dispels much of the mystery surrounding the operation of stock markets and makes Wall Street much more understandable to the average layman. ■

Challenge Quiz

HOW WELL can you do with this true-false quiz? Test your ability to increase your knowledge through reading. Ten correct answers is Excellent; 9, Good; 8, Average. If you do the quiz *before* reading the articles, 6 correct answers is good. Answers on page 75.

(1) In the United States, clothing expenditures per person today are still at about 1929 levels.

True ☐ **False** ☐

(2) Unions have been successful in their attempts to organize workers in the service industries.

True ☐ **False** ☐

(3) In 1949, farm families in the U.S. derived about one-fourth of their income from nonfarm sources.

True ☐ **False** ☐

(4) Since 1956, decreasing numbers of businessmen have accepted positions in state and local governments.

True ☐ **False** ☐

(5) In 1933, more than 50 per cent of the U.S. farm debt was in default.

True ☐ **False** ☐

(6) After the Korean war, the U.S. government cut defense outlays by 30 per cent.

True ☐ **False** ☐

(7) Today most outstanding social scientists are full-time employees of large corporations.

True ☐ **False** ☐

(8) Contemporary techniques of social control are most successful with individuals and small groups.

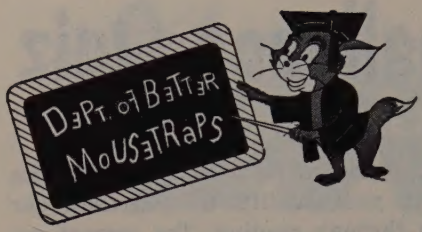
True ☐ **False** ☐

(9) Absence of competition must be proved before government regulation of an industry is authorized.

True ☐ **False** ☐

(10) The range within which an administerd price (one set by company executives) may be set is determined by market forces.

True ☐ **False** ☐



Around the House: A synthetic chamois cloth that is not harmed by grease, oil or solvents. It cleans glass, woodwork, furniture, walls and cars and can be laundered and stored damp or dry. . .A ratchet screwdriver that gives five times more effective force than ordinary screwdrivers. Several screwdriver blades of various sizes can be inserted into the ratchet mechanism for each job. . .An automatic controller that responds to natural light conditions to turn lights on in the evening and off in the morning. The unit can be installed for indoor or outdoor use and will also start and stop air conditioning systems. . .Heavy duty plastic furniture leg holders protect carpets because tiny plastic projections hold weights of up to one ton above the carpet piling.

* * *

Children's Corner: *For the child who would like to have a pet mouse but whose mother forbids it, lifelike puppet mice made of white rabbit fur. Held in the palm of the hand and motivated by a finger, their movements are quite realistic. . .A battery-operated telephone set that can be safely assembled and installed by a 10-year-old. Reception is loud and clear. The kit contains two receivers, wall hangers, buzzers and wire. . . To amuse and instruct a sick child, a collection of 20 different wire puzzles to be taken apart and put together again.*

* * *

On the Job: A scale that has a roller platform instead of a conventional weighing table. The scale thus becomes an integral part of the assembly line's conveyor unit and eliminates the need to lift packages onto a scale for weighing. . .A pocket-size check writer that automatically perforates the word or number into the check in indelible red ink. . .A ball point rubber cement dispenser releases one dot of cement when the point is depressed. One filling dispenses 5,000 dots and the pen can be refilled from a plastic bottle. The adhesive may be removed from any surface merely by rubbing, and no permanent residue or stain is left.

* * *

Kitchen Worksavers: *Plastic covers that protect four stacks of 12 plates from dust during storage. . .Metal inserts to be placed in the bread slots of automatic toasters to make it easier to retrieve bread that becomes stuck. They facilitate toasting muffins, bagels and biscuits. . .An electric peeler for fruits and vegetables. . .A device that adjusts to hold any bowl at the desired mixing, blending or beating angle and leaves both hands free. Made of metal with nonscratch rubber inserts, the holder is collapsible for easy storage.*

* * *

On the Farm: A "back-scratching" device for cattle that applies insecticide and oil to their bodies as they scratch. A flexible, braided steel tube containing the oil revolves on a cable as the animal rubs against it.

* * *

Write to CHALLENGE *magazine for further information.* ■